Chapter 2

Real Estate Management Plan Alternatives

Introduction and Purpose of the Chapter

Chapter 2 presents alternative approaches to real estate management on Montana's Trust Lands. The selected alternative will become the Real Estate Management Plan for the Division. Five alternatives are proposed including the no-action alternative, which reflects the existing or status quo program of the REMB. Information presented includes a comparative analysis of the alternatives and a summary of the anticipated effects. The alternatives have been developed in response to and are driven by the issues raised by the public and the DNRC staff. Chapter 2 includes a summary of how the issues are reflected in each of the alternatives.

Chapter Contents

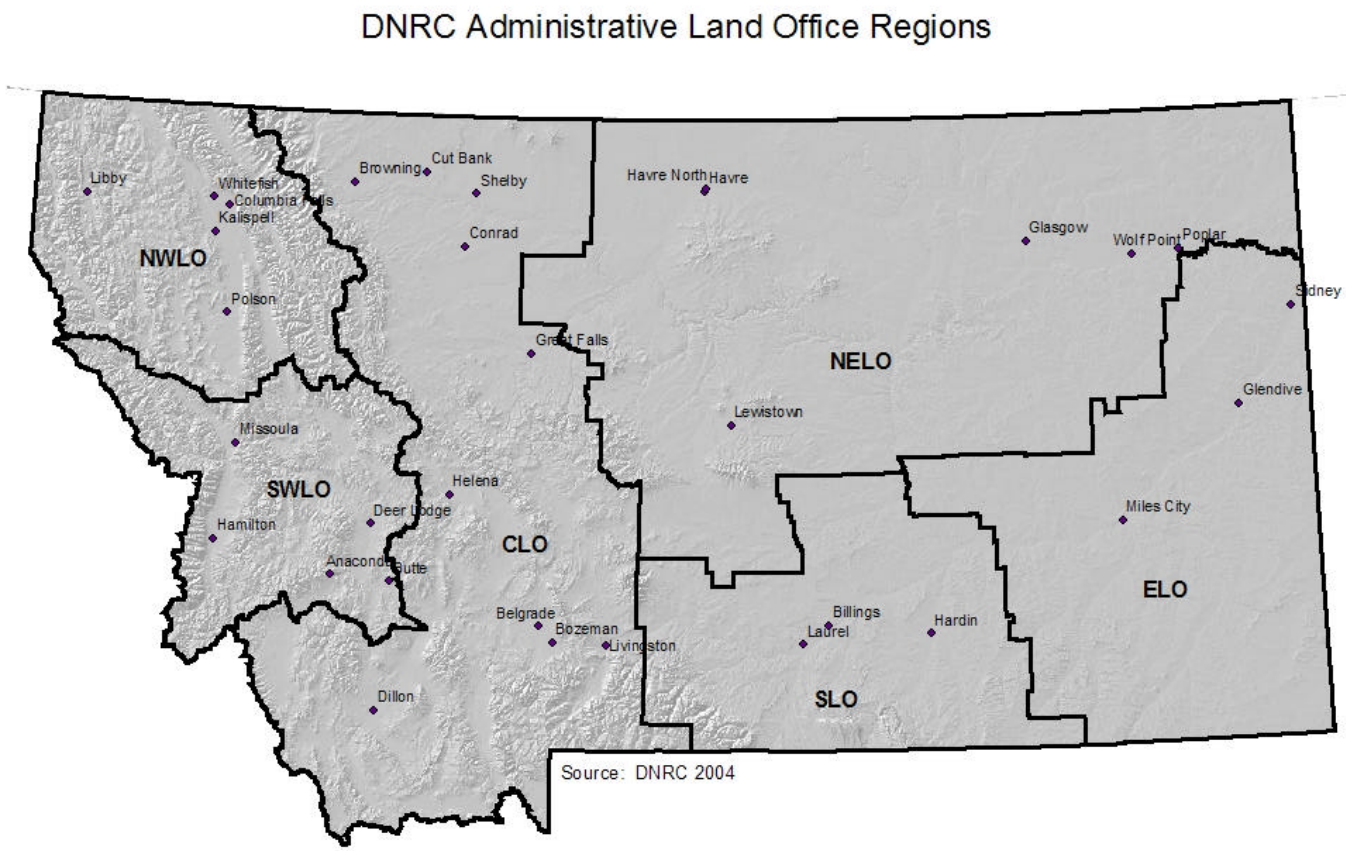
2.1 INTRODUCTION

This chapter describes five alternative philosophic, strategic approaches to the management of real estate activities on trust lands by the REMB of the TLMD of DNRC. The analysis focuses on land use activities related to residential, commercial, industrial, and conservation uses. The underlying premise of each alternative is that growth (increased demand of residential, commercial, and industrial uses) on Trust Lands would correspond in varying degrees to anticipated growth in each of the six DNRC land office regions of the state (See Figure 2-1). Conservation opportunities on Trust Lands would be encouraged under all alternatives.

2.1.1 Explanation of Funnel Filtration Process

A decision-making framework, referred to as a funnel filtration process, provides a systematic approach to identify project level opportunities. This funnel filter approach begins with a physical environment filter followed by a transitional filter and a market filter that combine to generally define lands that might have some potential for future project opportunities. Five project level filters follow these three initial landscape filters. Key elements of the project-level filters include use of local land use review processes for impact analysis and mitigation and appropriate MEPA compliance. This plan is intended to offer guidance to the REMB through the year 2025. Each alternative has varying degrees of accomplishing the necessary specific objectives outlined in Chapter 1, Section 1.3.

Figure 2-1. DNRC Administrative Land Office Regions



2.2 HISTORY AND PROCESS USED TO FORMULATE THE ALTERNATIVES

The range of alternatives presented in this chapter were developed from the objectives and relevant issues identified in the Initial Proposal of the MEPA scoping process, conducted between January 19th and May 27th, 2001. Internal scoping from DNRC staff was accomplished in the fall of 2003. A summary of comments received, that in turn provided the basis for the issues, is included in Appendix A.

2.3 ALTERNATIVE DESIGN, EVALUATION AND SELECTION CRITERIA

The design of the alternatives is based on four critical assumptions:

- The alternatives must correlate to the stated objectives of the Draft PEIS and be responsive to the relevant issues.
- The existing Real Estate Management program constitutes the base line from which comparisons of alternatives are made.
- Growth (residential, commercial, industrial) on Trust Lands would correspond in varying degrees to anticipated growth within each of the six DNRC land office regions of the state.
- Each alternative would incorporate conservation opportunities.

Assumptions were necessary to fully describe how the existing program (No Action) and the four action alternatives would move forward into the future. The fundamental comparisons between alternatives primarily pertain to "management philosophies" or "response strategies" to projected estimates of growth. The basic three measures of comparing alternatives are: 1) quantity of acres of newly developed or conservation uses and 2) how those uses on Trust Lands would affect the natural and social environment and 3) the revenue return to the beneficiaries.

The following narrative identifies the fundamental components or baseline assumptions of each alternative so comparisons between alternatives can be narrowed to only those management strategies capable of achieving the respective land use projections of each alternative. All alternatives share a fundamental decision-making process but it is assumed that the no-action alternative is less structured than the action alternatives. Distinctions between the management elements of the existing program to the action alternatives are identified as appropriate and relevant.

2.3.1 Technical Alternative Design Elements

Each alternative can be described and evaluated relative to the existing program of the REMB. Alternative A (No Action or Status Quo) would maintain the existing program into the future. Alternatives B, B-1, C, and C-1 are compared to this baseline. Under the existing program, DNRC employs a number of real estate tools to achieve desired outcomes. The application of these tools would differ between alternatives.

The following management considerations (or elements) will be addressed by each alternative to provide comparative analysis:

- Relationship to Community Growth
- Land Use Categories
- Location Descriptors
- Project Selection and Prioritization (Relationship to the Funnel Process)
- Implementation Strategies
- Project Management Roles
- Administration
- Financial Considerations
- Environmental Review and Public Involvement

The following is a description of each of the management considerations to be addressed.

2.3.1.4 Relationship to Community Growth

A second tier of baseline comparisons shows how each alternative relates to community growth. An assumption is made that Trust Lands would share to some degree, in anticipated community growth. Trust Lands in Alternative B and B-1 would share proportionally to predicted community (regional) growth. Growth on Trust Lands in Alternative C and C-1 would constitute a proportionally higher share of the anticipated regional growth. Under Alternative A, the REMB would continue to pursue revenue opportunities for all land use types but the share of development on Trust Lands would be less than proportional to market conditions.

The acres of "new" growth presented in the DEIS are not targets. Rather, they are estimates of new growth used for the purpose of drawing comparisons among the alternatives. The actual opportunities for sharing in the market on Trust Lands would be realized through filtration methodology and project identification processes, which will help determine the suitability of development.

- Regional Growth Indices – Population and income projections serve as reliable indicators for the location and scale of future development potential. Polzin (2004) describes economic trend analyses for each land office region and is the basis for identifying future growth potential by land office (See Appendix B). By 2025, it is estimated that approximately 1.16 million people will live in Montana. The fastest growing region of the state will be northwest Montana (Whitefish, Kalispell, Bigfork, Polson Libby, Plains) followed by southwest Montana (Missoula, Hamilton, Anaconda, Lincoln), central Montana (Shelby, Great Falls, Helena, Bozeman, Dillon), and southern Montana (Billings, Red Lodge, Big Timber). Refer to the population and growth estimates presented in Chapter 4 (Table 4-1)

- State Ownership Mix – Trust Lands represent a percentage ownership of all lands in the state of Montana. This ownership relationship is shown in Table 2-1.

Trust Lands represent approximately 5.5% of the land area in Montana. The land ownership proportions vary by land office as described on the next page in Table 2-2.

Table 2-1. State Land Ownership Mix

Ownership	Acres	Percentage
Federal	27,192,268	28.9
DNRC Trust Land	5,153,551	5.4
Other Government Land	366,520	0.4
Tribal	5,395,454	5.7
Private	55,071,623	58.6
Water	844,425	0.9
Total	94,023,843	100

Table 2-2. Land Ownership by Land Office												
Ownership	**NWLO**		**SWLO**		**CLO**		**NELO**		**SLO**		**ELO**	
	Acres	**%**	**Acres**	**%**	**Acres**	**%**	**Acres**	**%**	**Acres**	**%**	**Acres**	**%**
Federal	5,691,828	62.7	4,223,416	56.8	7,912,595	34.6	5,456,705	19.0	1,288,960	12.4	2,618,766	16.9
Trust Land	314,396	3.5	233,569	3.1	1,254,486	5.5	2,003,245	7.0	382,115	3.7	965,740	6.2
Other Government	16,940	0.2	160,642	2.2	135,535	0.6	27,400	0.1	10,953	0.1	15,052	0.1
Tribal	620,173	6.8	93,692	1.3	939,384	4.1	1,734,022	6.0	1,765,005	17.0	243,179	1.6
Private	2,187,120	24.1	2,703,027	36.4	12,484,101	54.5	19,188,447	66.7	6,903,489	66.4	11,605,440	75.0
Water	253,913	2.8	16,328	0.2	164,021	0.7	338,154	1.2	41,219	0.4	30,789	0.2
Total	9,084,369		7,430,674		22,890,121		28,747,973		10,391,740		15,478,966	

Each land office region is comprised of multiple ownerships as shown in Table 2-2. A general assumption is that developed uses (residential, commercial, industrial) could normally occur on all categories of land ownership, except for "federal" and "water". All lands would be considered eligible for conservation purposes. The proportion (percentage) of Trust Lands to lands eligible for general development opportunities (total regional acreage less "federal" and "water") is shown in Table 2-3.

Table 2-3 Proportion of Trust Land Eligible for Development by Land Office

NWLO	SWLO	CLO	NELO	SLO	ELO
10%	7%	8%	9%	4%	8%

The percentages listed in the above table indicate the annual percentage of projected development that could occur on Trust Lands if they shared equal opportunities with other land ownerships. As an example, Trust Lands in the NWLO represent 10% of the total regional acreage (less "federal" and "water") so could be expected to attain 10% of the estimated regional growth of residential, commercial, and industrial uses. These proportion percentages would not apply to conservation strategies since all land ownerships and land categories, including "federal" and "water" could be suitable for conservation purposes.

2.3.1.5 Land Use Categories

The TLMD generates revenue to the trust beneficiaries from five general land use activities – agricultural leasing, grazing leasing, mineral leasing, timber harvesting, and real estate management. The REMB would generate revenue from activities on Trust Lands related to four land use categories. A general description of each of these categories is presented below.

- Residential – The greatest potential for new growth on Trust Lands is "residential". Residential uses include single-family dwellings, duplexes, condominiums, townhouses, cabins, apartments, mobile-home parks, associated ancillary uses, and other residential uses normally recognized by local zoning regulations. The assumptions used to develop the growth and economic models are analogous to the methodology used by the Department of Revenue in that multifamily residential properties are typically classified as commercial for taxation purposes. As such, commercial forecasts included in this PEIS include some components of residential and, for accounting and implementation purposes, residential uses considered as commercial uses by the Department of Revenue would be considered "commercial". "Raw" or undeveloped properties might also be identified for residential potential through a highest and best use analysis. For example, some forested lands may reflect a higher value if appraised as residential land, as compared to their value for timber management purposes. Rural residential forecasts in this PEIS define how much residential development might occur on lot sizes between 1 and 25 acres. No estimates were made for larger residential tracts or for single-family lots less than 1 acre in size but, for accounting purposes, it is assumed that the acreage forecasts for rural residential would include the small lot acreages. It is expected that the value of Trust Land properties having "single family" as the highest and best use would be realized in

most situations, by sale [of the property] as opposed to leasing. Existing leased properties would not be sold in most circumstances.

As noted above, a basic assumption is that Trust Lands would share in expected community growth. In other words, market factors would determine how much of the new growth would occur on Trust Lands versus other lands. In Western Montana, most of the large lot residential growth is expected to occur in rural locations, including forested lands. As residential opportunities are identified for Trust Lands, the REMB could obtain the residential values of the land in a number of ways, including:

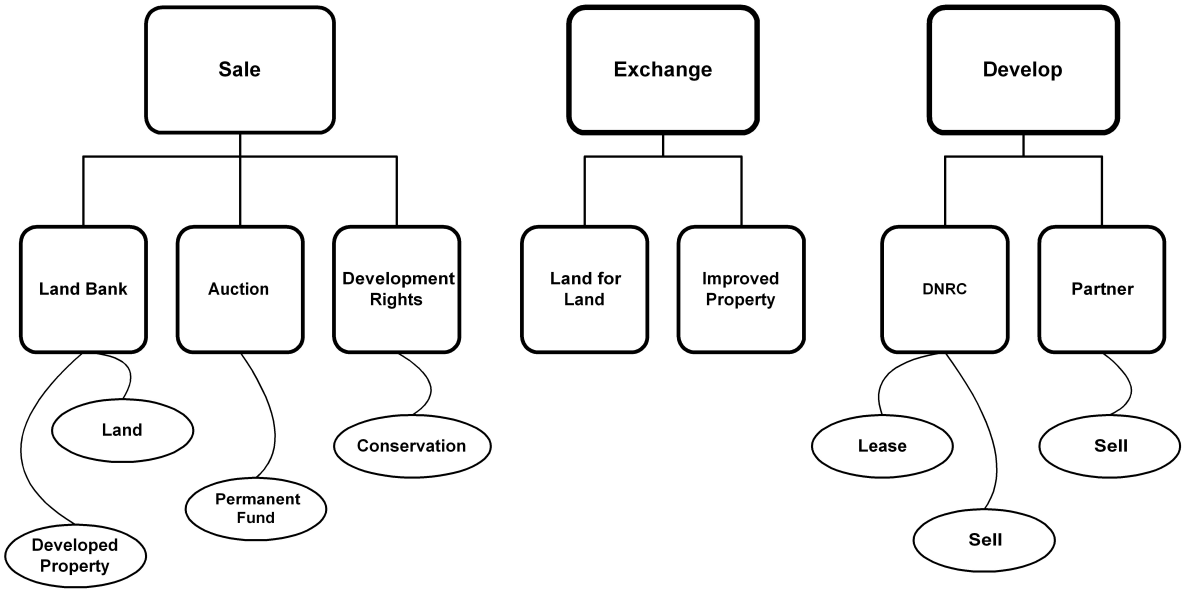
- Land Sales: DNRC would maintain the existing residential lease. Lands identified for projects that have a highest and best use as "residential" could be sold at appraised value or higher with an auction process. Revenue would be placed in the permanent fund.
- Land Banking: This is a land sale where the revenue may be pooled with other sold properties to purchase other desirable income properties for the various trusts.
- Land Exchange: This process would permit an applicant to exchange other lands for Trust Lands with the assumption that the lands DNRC receives in exchange for the Trust Lands are in the better interests of the trust for reasons of income potential, asset management, or other reasons.
- Land Development: This process assumes DNRC would retain some ownership interest in the land as it is being developed for residential purposes. The REMB could either lease lots or sale lots under this scenario and could include partnerships with the private or public entities to accomplish development objectives.
- Transfer Of Development Rights (TDR)*: Land rights associated with a certain parcel, such as land use density, could be transferred to another Trust Land parcel to accmplish a variety of objectives. An example of TDR could include moving development away from a sensitive area (transfer) to an area more suitable for development (receiving area).
- Purchase/Lease of Development Rights (PDR or LDR)*: The REMB could sell the development rights through a lease or license (LDR), or easement (PDR) in lieu of selling, exchanging, or developing the land for residential uses. This strategy would allow the REMB to realize the value of the development rights while maintaining DNRC ownership and historical use of the land.

*The use of TDRs is typically undertaken in the context of local land use planning regulatory processes. However, the sale of development rights (PDR/LDR) could, in most cases, occur outside the scope of local land use regulations.

These methods all assume that the REMB would attain the fair market value of the land on behalf of the beneficiaries of the Trust Lands. The first five options also assume that the land would be developed for residential uses, constituting a portion of the Trust Land share of residential growth in the entire land office area in which it is located. The last option (PDR), however, would have the effect of moving any expected residential development elsewhere in the community. As a result, the particular parcel of Trust

Land would not share in the expected residential growth. In other words, eliminating the development potential on the Trust Lands would do nothing to eliminate the need or demand for additional residential development in the community. The need would simply be met elsewhere. The use of a PDR would help achieve conservation objectives but would not count towards the share of anticipated growth of residential uses (see estimates by alternative) on Trust Lands. The options for attaining value on residential lands are generally depicted in Figure 2-2.

Figure 2-2. Methods of Income Generation on Trust Lands with Residential Value



- Commercial – Commercial uses include retail businesses, offices (private and public), service establishments, motels, resort recreation, RV Parks, communication sites, and other similar uses that may be recognized as "commercial" in local zoning regulations. Public buildings, schools, religious structures and developed commercial recreational facilities are also included in the commercial land use category. In addition, "raw" or undeveloped properties might also be identified for their potential commercial use through a highest and best use analysis. Typically, DNRC would retain ownership of its commercial properties (land and/or buildings) and lease them to private entities rather than sell properties. As under residential, the REMB could sell the development rights through a lease, license, or easement (if applicable) in lieu of developing the land for commercial purposes. This strategy (PDR/LDR) would allow DNRC to realize the value of the development rights while maintaining land ownership and historical use of the land. As noted under residential uses, the use of PDRs would have the effect of moving any expected commercial development elsewhere in the community and the specific

parcel of Trust Land would not share in the expected commercial growth. The expected need or demand for commercial development would be met elsewhere. The use of a PDR strategy would help achieve conservation objectives but would not count towards the share of anticipated growth of commercial uses (see estimates by alternative) on Trust Lands. For purpose of tracking growth estimates, it is assumed that the acreage forecasts for commercial would include certain residential uses, such as multi-family, considered as "commercial" by the Department of Revenue.

- Industrial – Industrial uses include manufacturing, wholesaling, warehousing, utilities, heavy transportation, sanitary landfills, wind farms, sewage treatment facilities, feedlots, grain storage bins, irrigation facilities, reclamation projects, electrical substations, intermodal shipping facilities, and similar uses. In addition, "raw" or undeveloped properties might also be identified for their potential industrial use through a highest and best use analysis, growth policy or zoning designation, or identified as "High Suitability" in the PEIS. Typically, DNRC would retain ownership of its industrial properties (land and/or buildings) and lease them to private entities rather than sell properties. As under residential and commercial, the development rights could be sold through a lease, license, or easement (if applicable) in lieu of developing the land for industrial purposes. This strategy (PDR) would allow DNRC to realize the value of the development rights while maintaining land ownership and historical use of the land. The use of PDRs would have the effect of moving any expected industrial development elsewhere in the community and the specific parcel of Trust Land would not share in the expected industrial growth. The expected need or demand for industrial development would be met elsewhere. The use of a PDR strategy would help achieve conservation objectives but would not count towards the share of anticipated growth of industrial uses (see estimates by alternative) on Trust Lands.

- Conservation – Conservation lands are generally lands for which certain real property rights have been "removed" to maintain long–term rights for open space, preservation of habitat, natural areas, parks, or other such purposes. Conservation objectives can be secured on Trust Lands through the issuance of conservation easements, leases, and licenses. Another method is to sell, lease, or license development rights on Trust lands. Under this method, the development potential on a particular land parcel for residential, commercial, or industrial uses (as determined by a highest and best use analysis) would be purchased to remove these property "rights" and thereby prevent development of these type of uses on the property. The ownership of the land would remain with the "state" and, in most situations, the underlying historical use of the property, such as agriculture, grazing, and forest management, could continue. In all situations, the REMB would seek financial compensation for "lost" rights. An appraisal process would be used to assign a value to the property rights to be purchased through a conservation strategy. Current legislation limits the authority to sell permanent conservation easements on Trust Lands. Legislative authority may also be necessary to sell development rights.

Easements would provide a one-time purchase of certain identified development rights based upon the market value of those rights. Non-permanent options for securing certain rights to Trust Lands would be accomplished by license or lease.

- While there is no known strategy for identifying trend patterns or expected growth rates for conservation easements, leases, or licenses on private and public lands, the REMB has evaluated the potential for the transfer of certain of its lands to conservation use. A GIS process was used to identify the physical relationship of Trust Lands to significant natural features across the state and within land office regions. (This information is presented in Chapter 3.) The assumption is that some Trust Lands in close proximity to other conservation areas might share similar conservation attributes and may, therefore, be suitable for conservation strategies. Existing conservation areas were identified as including the following groups of lands:
  - National Parks
  - National Monuments
  - Wilderness Areas
  - Wild & Scenic Rivers
  - Wildlife Refuges
  - Game Ranges
  - Public/Private Conservation Easements

Trust Lands (acres) were then identified according to whether they were located (1) adjacent; (2) within 0.5 miles; or (3) 1 mile of these land categories. The results are shown in Table 2-4.

Table 2-4. Relationship of Trust Lands to Existing Conservation

Land Office	Adjacent	Within 0.5 Miles	Within 1 Mile
NWLO	22,233	38,502	50,867
SWLO	12,093	26,233	38,968
CLO	72,276	130,831	176,376
NELO	68,689	101,303	134,822
SLO	3,522	12,319	19,957
ELO	10,464	20,947	25,058
Total	189,277	330,136	446,049

These lands may or may not have any particular value for conservation, nor is it known whether these lands have a market for this purpose. However, each plan alternative would consider this as a "pool" of potentially suitable lands for conservation. However, none of the alternatives would specifically limit options to purchase/lease development rights on any Trust Lands.

All of the alternatives presented in this PEIS provide opportunity for conservation uses on Trust Lands through the purchase of development rights. Conservation acreages have been calculated based on the proximity of Trust Lands to existing areas with attributes associated with conservation lands. However, these acreages are projections

only and are not intended to limit the number of conservation uses that may occur on Trust Lands.

There are a variety of reasons for creating or desiring a particular conservation strategy and all might reflect different priorities based upon the particular mission of an agency or special interest group and/or available funding. Many conservation strategies are intended to protect wildlife habitat. However, the REMB recognizes that not all conservation strategies are intended to protect a natural resource per se. In some situations, the purchase of development rights could be proposed to maintain the status quo of an area. Given this understanding, it would be reasonable to conclude that purchase of development rights might be proposed [by others] as an alternative to the potential sale or development of certain Trust Lands.

As indicated in Chapter 3, the TLMD is currently preparing a voluntary Habitat Conservation Plan (HCP) for forest-management activities on Trust Lands. The HCP will address those lands that provide habitat for species currently listed or those that could be listed under the Endangered Species Act (ESA). The HCP offsets harm caused by lawful activities, such as forest management practices, by promoting conservation strategies to minimize or mitigate impacts to threatened and endangered species. The conservation objectives for the HCP process could be achieved in concert with the REMB program for conservation under all five of the proposed alternatives including the current condition (Alternative A).

2.3.1.6 Location Descriptors

Land use activities can be described as occurring in three general locations:

- ***Urban*** defines a named location (latest state highway map) where a mix of different developed uses occurs in close proximity to each other. All incorporated cities would be included in this category plus unincorporated communities that typically have public water or sewer facilities. Urban would include the customary extraterritorial planning jurisdiction of a city.
- ***Suburban*** defines a transition area between urban and rural. This would normally define a mostly residential area where land use densities generally range between 1 to 20 acres per dwelling unit.
- ***Rural*** defines lands not considered to be urban or suburban. These lands are typically distant from developed centers but may have some concentration of residential, commercial, or industrial uses associated with certain amenities or resource ties, such as saw mills in the forest, resorts near a lake, or a ski area on steep slopes.

2.3.1.7 Project Selection & Prioritization

This section describes a programmatic approach to the identification and selection of real estate opportunities on Trust Lands under each of the action alternatives. The approach is a systematic process that offers a filtration methodology for identifying lands that may ultimately be suitable (as determined by subsequent project level analyses) for residential, conservation, commercial and/or industrial purposes. Figure 2-3 represents the initial filtration process. The entire funnel filtration process is depicted in Figure 2-4. All Trust Lands can be "filtered" through a series of eight (8) processes to determine project level opportunities. A Geographical Information System (GIS) analysis was used to generally identify lands that might be unsuitable for development (physical filter)

and to identify lands that may have some level of development potential (transitional lands). The methodology and results of this GIS study (Geodata Services 2004) is presented in Appendix C. A demographic and economic process was used to model projected growth in the six land office regions of the state (Jackson 2004). The methodology and results of that study are presented in Appendix D and represent the "Market" filter of the funnel process. The remaining five filters of the process are project level analyses used to identify and select appropriate development opportunities. The REMB would use an ID (Identification) Team approach to develop one, 3, and 5 year project lists (Figure 2-5). Under the existing program of the REMB, the project selection and prioritization methodology is less structured. Project opportunities are more often reactive than proactive and project priorities are identified from annual meetings of a Commercial Development Working Group.

Figure 2-3. Initial Steps to Funnel Filter Process

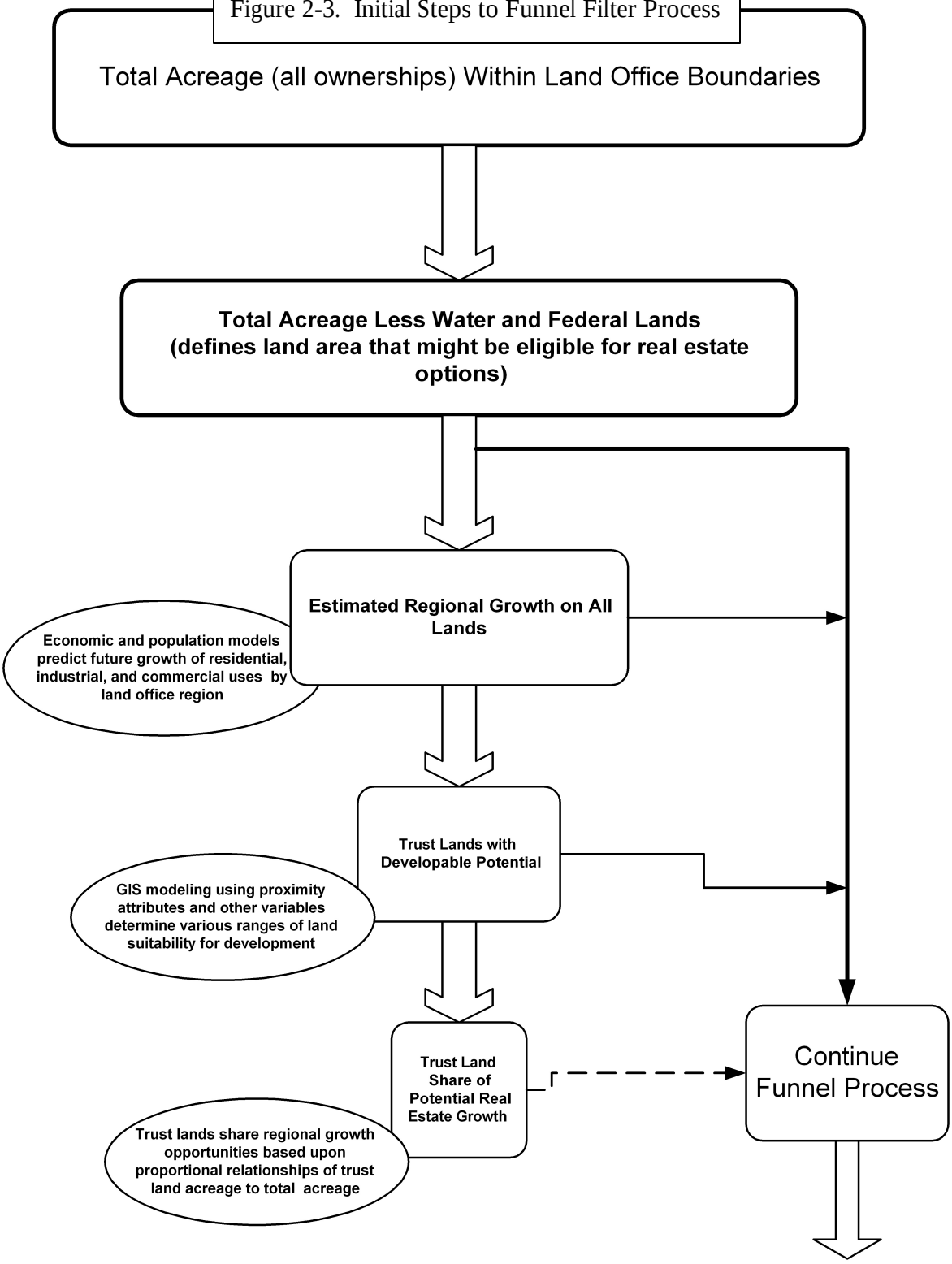
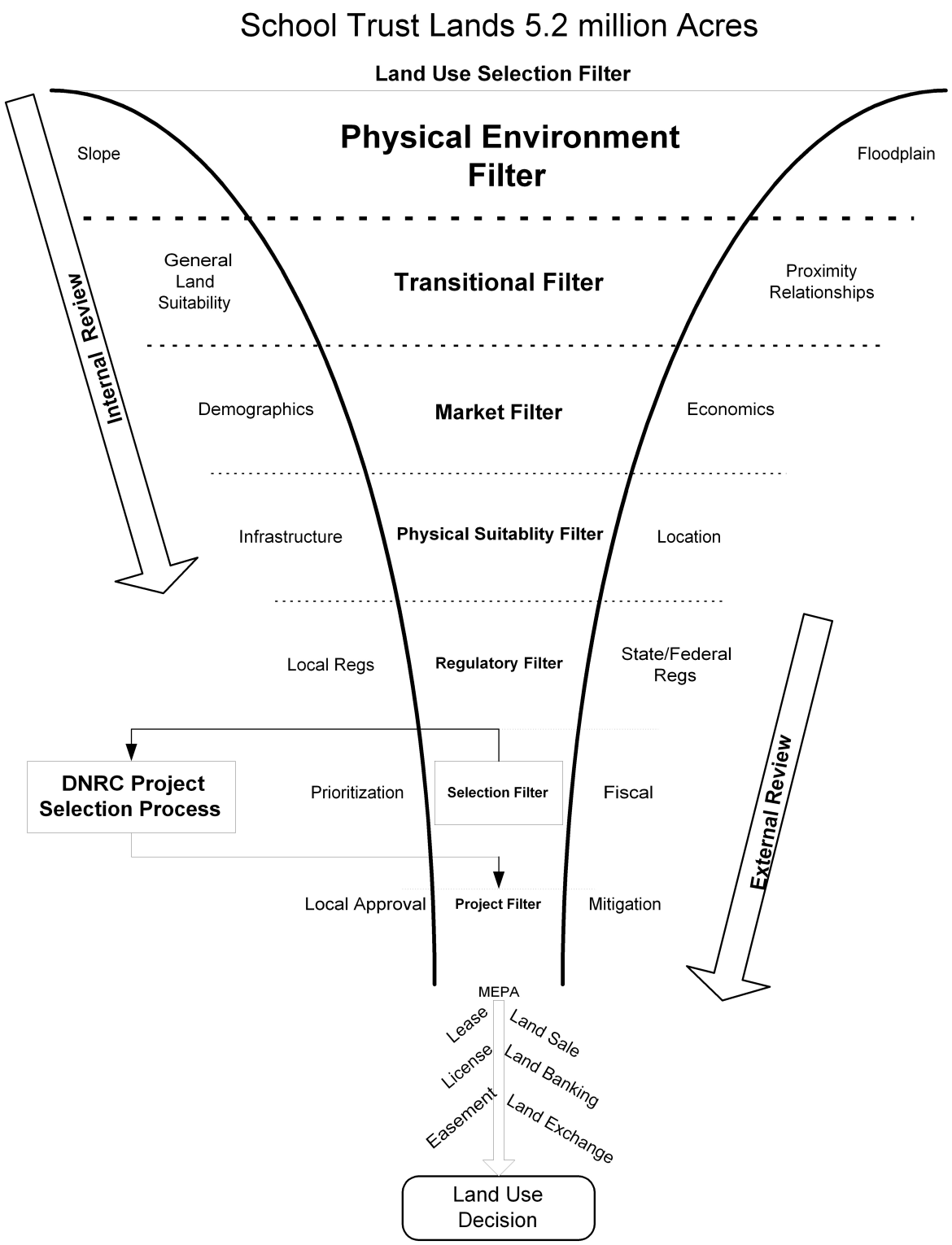


Figure 2-4. Funnel Filter Process



The Funnel Filter Process - The funnel filter process would be common to all action alternatives and would be a desirable process for the no-action alternative, as well.

- The Physical Environment Filter – A large percentage of the 5.2 million acres of Trust Lands may not be suitable for residential, commercial, or industrial uses due to physical constraints. For the purpose of this initial review, developable land is generally characterized as lands with slopes less than 25% slope and lands located outside a designated 100 year flood plain. In general, development would not be appropriate on those lands with slopes in excess of 25% or within floodplain areas. However, lands with these characteristics may be suitable for conservation strategies. Development potential on these physically constrained lands would be strictly limited to unusual or unique situations. Based on this initial coarse filter analysis, approximately 86% of Trust Lands would be considered suitable for some level of residential, commercial, or industrial development. A break-out of developable lands by land office is shown in Table 2-5. Notice that in mountainous areas like the Northwestern Land Office, almost 50% of the total Trust acreage of 314,396 is considered unsuitable for development due to these 2 identified physical constraints. While all of the "developable" land is considered generally suitable for residential, only a portion of the entire developable acreage would be appropriate for commercial or industrial uses. The existing program of the REMB has no formal process to accomplish this initial screening of land on a landscape basis. A Coarse Filter Analysis (see Appendix E) is applied on a parcel-by-parcel basis.

Table 2-5. Potentially Developable Lands (acres)

	NWLO	SWLO	CLO	NELO	SLO	ELO	TOTAL
Total Trust Acres	314,396	233,569	1,254,486	2,003,245	382,115	965,740	5,153,551
Developable Acres*	152,858	142,377	1,001,742	1,853,106	354,845	909,878	4,414,806

* lands on slopes less than 25% and outside 100 year flood plain

- The Transitional Filter – This second level filter evaluates geo-spatial variables to identify favorable locational attributes of Trust Lands. A GIS model was used to establish proximity relationships of Trust Lands to existing land uses. This data identified lands that are "transitional", meaning that the lands have some development potential for residential, commercial, and industrial uses. Subsequent filters would be used to determine project level opportunities from this pool of potentially developable lands. Table 2-6 is a summary of lands that may have development potential (measured in acres) within each land office area for rural residential uses, with "High" indicating those lands

most suitable for developed uses. The methodology and detailed results of the GIS study is presented in Appendix C. A Course Filter Analysis technique (Appendix E) is currently performed by the REMB to accomplish similar objectives but mostly on a project-by-project basis.

Land Office	Table 2-6. Lands Acreages for Rural Residential Uses by Suitability Ranking		
	High	Medium	Low
NWLO	28,268	82,074	42,516
SWLO	19,027	72,017	51,333
CLO	16,773	506,089	327,880
NELO	284,097	995,784	573,225
SLO	53,959	195,160	105,726
ELO	114,261	534,260	261,357
Total	516,385	2,385,384	1,362,037

Table 2-7 reflects lands that have close association to existing commercial cores and highway corridors. The acreage estimates are gross to the extent that additional filters would be necessary to determine project level suitability. Please refer to the report by GeoData Services (2004) in Appendix C.

Table 2-7. Lands Potentially Suitable for Commercial or Industrial Uses (acres)							
	NWLO	SWLO	CLO	NELO	SLO	ELO	TOTAL
Acres*	6,940	6,082	16,330	17,220	9,104	9,336	65,012
*Excludes lands with slopes>25% and located within 100 year floodplain							

There is no known process to identify the full range of conservation opportunities on lands since there is no known direct correlation between conservation demand and real estate market factors. Because of this, the plan alternatives attempt to define conservation opportunities based upon the proximity of trust lands to existing conservation-type lands. Please refer to Table 2-4 and related discussion in Chapter 3. None of the alternatives attempt to discourage conservation strategies on Trust Lands, provided the beneficiaries are

fully compensated for the rights foregone by conservation leases, licenses, and easements.

- The Market Filter – The lands filtered through the first two processes may be physically suitable [on a gross or landscape scale] for the identified land uses but may not be suitable from a demographic perspective. A demographic/economic model was used to identify future regional growth in the categories of "rural residential" and "Commercial/Industrial". Growth, in acres, was identified by defined periods of time extending out to year 2025 by Jackson (2004) with the study included in Appendix D. Estimates of total anticipated rural residential and commercial/industrial growth measured in acres by land office region is summarized in Chapter 4. Under the current program of the REMB, there is no formal methodology in place to evaluate market opportunities within land office regions.

  The ratios of Trust Land ownership (Table 2-3) to all developable land ownerships (all lands less federal and water) would be used to assign the share of the expected residential, commercial, and industrial growth on Trust Lands by multiplying the percentage ownership values in Table 2-3 by the corresponding growth estimates depicted in Tables 4-2 and 4-3 of Chapter 4. There is no known method of accurately predicting market or growth demand for future conservation strategies. As stated in the previous section, all plan alternatives would support "conservation" strategies on all Trust Lands.

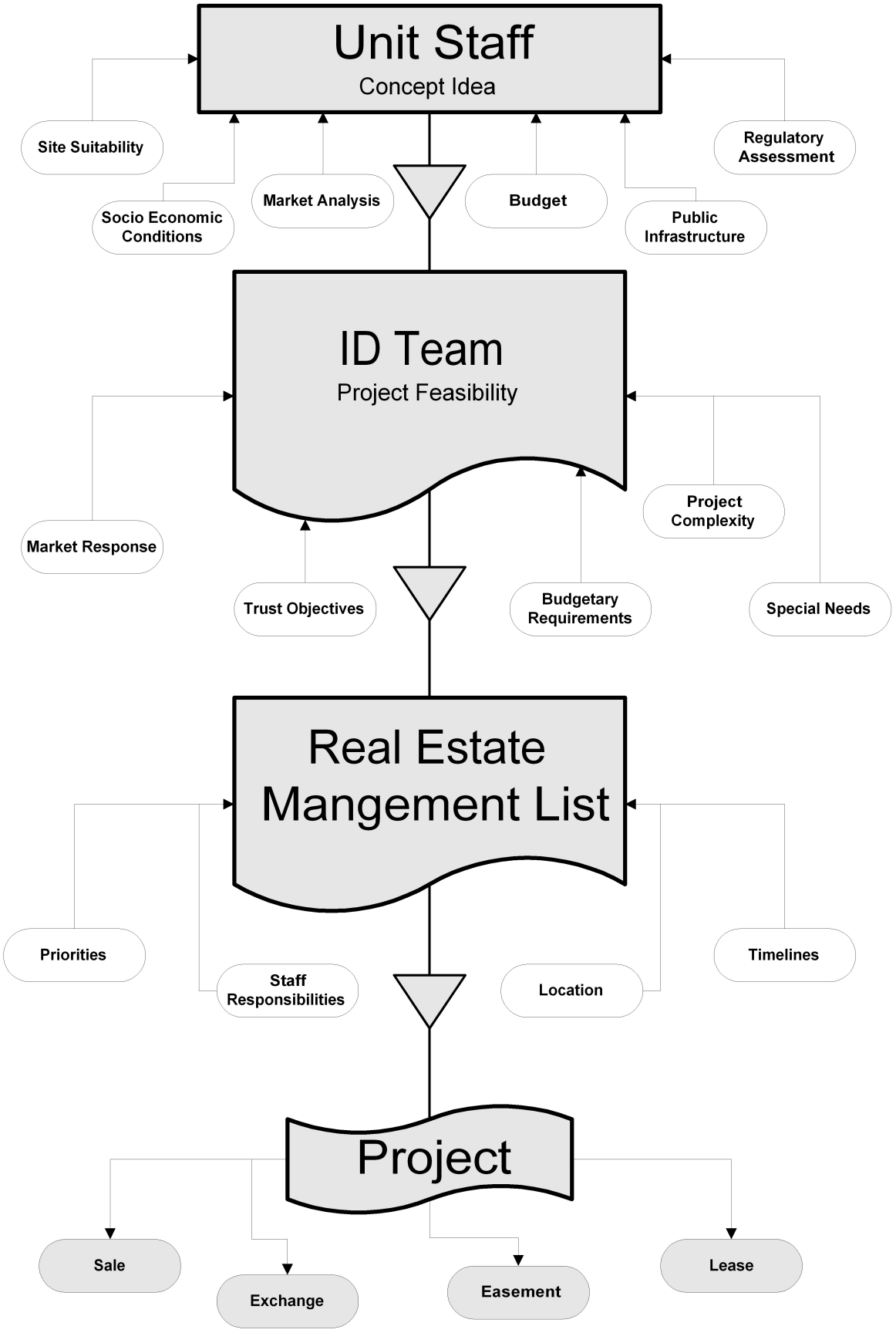
- The Physical Suitability Filter – This portion of the funnel filter considers the proximity and availability of infrastructure to Trust Lands and serves as an added indicator to the suitability of land for future use and development. The relationship of infrastructure to Trust Lands would be a project level evaluation. Conditions of infrastructure availability and/or feasibility to extend can change dramatically as communities grow and expand. The transitional filter considers some elements of "infrastructure" when identifying growth opportunities but detailed evaluations are only possible on a project level basis.

- The Regulation Filter – This is a project feasibility analysis performed by internal review of prospective projects. This filter considers how land use regulations and environmental laws might affect land use opportunities on Trust Lands. The planning for future uses of Trust Lands would consider community values through locally adopted growth policies. This filter would identify the appropriate uses and scale of potential development on Trust Lands. This filter would also consider other environmental land use regulations that could have some influence on project feasibility. Notable examples of other regulatory filters would include the Montana Antiquities Act and laws related to sanitation, wetland protection, air quality, etc.

- The Selection Filter – The aforementioned filters help to identify lands that might be suitable for development. The "selection" filter would

prioritize project opportunities based upon a real estate analysis, fiscal and staffing considerations, and project timelines (see Figure 2-5). The fiscal evaluation would consider direct costs to the REMB and return to the trust. Staffing analysis would consider the adequacy and expertise of staff to manage a particular project from the initial Request for Proposal (RFP) process to lease administration. Project selection would also consider the perceived market demand for the project.

Figure 2-5. Project Selection Process



- The Project Filter – Once the REMB identifies a project proposal through the filters identified above, project approval through local government review would be sought. The approval process could involve aspects of growth policies and zoning and/or subdivision review, depending on the type of project being considered. Subdivision review would be applicable in most situations involving a use of Trust Land. This would require adherence to specific conditions of approval and to design standards that would be required to mitigate impacts of the proposed use.

- MEPA – Prior to a final land use decision by DNRC, an appropriate level MEPA analysis would be prepared to evaluate the proposed project. Refer to related discussion in Chapter 5.

2.3.1.8 Implementation Strategies

The REMB would employ a number of private and public sector real estate strategies to achieve development and conservation objectives under each of the alternatives. For example, real estate projects may require the formation of a joint venture between the DNRC and private or public interests in order to finance needed infrastructure. The REMB could use innovative real estate planning tools such as transfers of development rights to help target development in areas that are in close proximity to existing infrastructure or in areas of high growth. Density bonuses could be sought from local planning authorities to offer incentives for the provision of open space, for example. State law provides for specific land use authorizations and transactions associated with the management of Trust Lands as outlined below. Implementation strategies described under each alternative are not meant to be exclusive between alternatives. Alternatives B, B-1, C, and C-1 require additional staffing and budget to implement, providing more creative implementation tools available by alternative. However, DNRC would utilize land management and implementation tools under each alternative as staffing and budget allow.

- Land Use Authorizations – Authorizations include leases, licenses, and easements wherein the trust beneficiaries are financially compensated for temporary use of the land. Authority for the issuance and approval of land use authorizations is the responsibility of the Department. More descriptions of authorizations are included in Chapter 3.

- Land Transactions – Montana statute provides for the sale, purchase or exchange of Trust Lands. Furthermore, the state may also engage in land banking which enables the state to use proceeds from sold lands to purchase other lands, easements, or improvements for the benefit of the beneficiaries of the respective trusts. Authority for the issuance and approval of land use transactions rests with the State Board of Land Commissioners. More descriptions of transactions are included in Chapter 3.

- Marketing – Marketing is a necessary and appropriate tool to manage the trust portfolio. Integral components of marketing are described below.

- Advertising -- The REMB can promote the availability of Trust properties through a variety of means including paid advertising in various local, state and national publications, direct contact with businesses and organizations, Internet postings, and informational signs on the available properties. The REMB may also choose to prepare brochures in both electronic and hard copy formats for targeted mailings.

- Real Estate Professional Affiliations – REMB staff may join professional real estate and development organizations and societies to derive a number of benefits. These include joint advertising opportunities, continuing education in the real estate development field to enhance REMB staff expertise, and the ability to engage a larger number of people in promoting Trust Lands.

- The Request for Proposal (RFP) process -- The TLMD is required to solicit competitive proposals in identifying prospective users of Trust Lands. This process requires the preparation of development packages that include the types of project proposals being solicited and associated bidding requirements. The RFP is typically placed in a number of publications and on the Internet.

2.3.1.9 Project Management Roles

- The State Board Of Land Commissioners – The State Board of Land Commissioners (Land Board) has general authority and control over the management of Trust Lands (77-1-202, MCA; Article X, Section 4, Montana Constitution). The DNRC, under the direction of the Land Board, "has charge of the selecting, exchange, classification, appraisal, leasing, management, sale, or other disposition of state lands", 77-1-301, MCA. However, as stated above, while the DNRC generally is responsible for reviewing and approving authorizations (leases, licenses and easements), the Land Board is responsible for the review and approval of land transactions (sales, exchanges and purchases of lands).

- The Real Estate Management Bureau – All land use proposals on Trust Lands for uses other than agriculture, grazing, and forestry would be evaluated by the REMB and field staff. However, the role of REMB in initiating and processing opportunities may vary by alternative. The level of involvement by REMB would depend, somewhat, on adequacy and expertise of staff, type of project, complexity of project, and a number of other considerations. Depending on each situation, the REMB could share or assign certain project responsibilities to the developer or other affected parties. Relationships with other entities might include partnerships, joint ventures or cooperative agreements and would provide unique opportunities to team-up with other entities to pursue a particular land use objective on Trust Lands.

- The Developer – "Developer" is a broad-use term that generally applies to anyone seeking use of Trust Land for residential, commercial, or industrial uses. Under most situations, the REMB would transfer most of the project approval costs onto the Developer. This could include the costs associated with local government application fees, infrastructure, environmental studies, and other related costs or needs.

- City/County Local Governments – In some circumstances, the REMB may coordinate certain land use objectives with local jurisdictions to satisfy mutual interests and opportunities. This could, for example, include local objectives related to the expansion/extension of infrastructure or providing certain opportunities to achieve local economic or housing objectives.

2.3.1.10 Administration

- Staffing and Staffing Expertise – The ability of DNRC to react, promote, or engage in certain land use opportunities could be affected by the number, type, and expertise of staff within the REMB. Staffing needs would vary by plan alternative and would be linked to revenue objectives.

- Funding and Land Entitlements – There are a number of strategies to achieve revenue objectives for Trust Lands under each of the action alternatives. One strategy would include increasing the number of leases on Trust Lands and prioritizing projects that would typically generate the most income on a per acre basis. Another strategy could include improving the entitlements to trust properties for the purpose of increasing the underlying land values. Such "entitlements" might include extending water, sewer, or roads, and other similar infrastructure improvements. They would also include land use designations (e.g. zoning) favorable to development. The amount of operation dollars to improve land entitlements would vary by alternative.

- Statutory Authority – The Enabling Act (1889), the Montana Constitution, statutes, and court decisions define the purpose and revenue-generating objectives of Trust Lands. However, legislation may be necessary to authorize or clarify certain actions anticipated by the various alternatives. An example would be legislative authority to establish "seed" money for a revolving fund intended to finance certain land improvements intended to improve the underlying value and marketability of Trust Lands. Also, it may be necessary to provide statutory authority for the sale of development rights on Trust Lands and conservation objectives may benefit from broadened authority.

2.3.1.11 Financial Considerations

- Revenue to the Trust Beneficiaries – Each of the action alternatives provides additional revenue to the Trust. Further, regardless of the alternative, the rate of return for each of the types of "other" use – commercial, conservation, residential or industrial – would remain the same (e.g., annual lease payments for residential uses would be equal to 5% of

appraised value under all alternatives). Conservation, residential, commercial, and industrial uses on Trust Lands would generate revenue for the beneficiaries in a number of ways, including:

- Providing revenue to directly to the beneficiaries of the State Trust
- Providing property tax revenue to local school districts
- Increasing the local bonding capacity to finance infrastructure improvements including those for schools

- Benefit to the Local Property Tax base – Trust Lands are generally tax-exempt. However, it is assumed that Trust Lands sold or leased for commercial or industrial uses would pay both real and personal property taxes. Residential improvements on leased land would pay taxes on the improvements.

- State Equalization Funds – In 1965, legislation was adopted providing for reimbursement to counties for loss of revenue because of the tax-exempt status of state-owned land in excess of 6% of total land area, 77-1-594, MCA. In 2002, the state compensated counties a total of $647,754.

- Job Creation – As suggested previously, the REMB would be sharing in growth that is already expected to occur in the community. Accordingly, use of Trust Lands for residential, commercial, or industrial uses would not create any new jobs, per se. However, of the new jobs created by projected community growth, it can be expected that Trust Lands would account for 2-20% of the total new community jobs, depending on alternative. Jackson (2004) provides more detail concerning the creation of jobs with development of Trust Lands (Appendix D).

- Asset Management – The TLMD is responsible for the management of trust lands for a variety of purposes on lands classified as “grazing”, “timber”, “agriculture”, and “other” (77-1-401, MCA). The amount of acreages associated with each use classification is presented in Chapter 3. The REMB is responsible for managing all land transactions (sales, exchanges, transfers) and “other” uses of the land related to residential, commercial, industrial, and conservation. The number of real estate transactions would vary by alternative.

2.3.1.12 Environmental Review and Public Involvement

The REMB, would, in most cases, accomplish public involvement and environmental effects disclosure responsibilities anticipated under the Montana Environmental Policy Act (MEPA) through adherence to local land use policy and regulatory processes. (See related discussion in Chapter 5)

- Relationship to Local Land Use Regulations – At the local level, land development is subject to three primary types of land use policy and/or regulation. These include subdivision regulations, zoning ordinances and growth policies. Montana statutes set forth the items that must be addressed under each, although local jurisdictions may incorporate

additional elements. A complete discussion of local land use planning provisions is found in Chapter 5.

- Relationship to MEPA – In complying with local land use regulatory processes, many of the public involvement and environmental disclosure requirements would be similar to those required under MEPA (75-1-103, MCA and subsequent sections). In those cases where local land use regulations and policies do not address all the necessary MEPA elements, the REMB would undertake the additional necessary review to comply with those MEPA requirements that fall outside of local planning authority. Where local subdivision or zoning ordinances do not address cultural resources (impacts on historic and archeological sites), the REMB would, under MEPA and the Montana Antiquities Act, undertake an analysis of its proposed activities with regard to these resources. In some situations, the local regulatory review and compliance processes may exceed the review requirements of MEPA.

2.3.2 Outcome Requirements

The alternatives are structured to address the objectives of the PEIS while considering the external and internal issues identified through the scoping process. Each alternative is designed to present a management philosophy and decision making framework for the REMB. There are a number of common elements shared between alternatives to ensure maximum public involvement in the decision-making process, protection of the environment, and consideration of local community values, among others. Distinct differences between alternatives are primarily related to the extent Trust Lands share in local growth and how market opportunities are achieved through the use of various real estate tools, project management, personnel, and financial resources.

2.4 IMPLEMENTATION OF PREFERRED ALTERNATIVE

The acreage estimates of increased revenue-generating uses of Trust Lands, for each alternative, are not goals or targets [absolute or otherwise]. Rather, they illustrate the variety in outcomes of implementing three underlying management philosophies, one of which will be selected to be the management strategy, the Plan. The main difference between the three management philosophies is the relative degree to which the REMB will participate in and benefit from the expected increase of demand in land uses in Montana. Those three philosophies of REMB participation in the increased utilization of land uses are: less than proportionate, proportionate, and more than proportionate (to the residential, commercial, industrial and conservation uses of other lands in the same region).

The underlying expectation inherent in the design of every alternative is that the residential, commercial, and industrial uses of Trust Lands will increase in some corresponding fashion to increased growth in the state of Montana. The growth (or increased use) estimates for new development on all lands, measured in acres, is calculated utilizing population and economic projections. Corresponding increased growth in these three uses of Trust Lands will obviously depend on characteristics conducive to that growth (proximity of roads, services, etc.) Presently, there is no known similar correlation (or model) between economic/population growth and the increase (or decline) in the number of conservation easements or purchases. However, a proximity model to other existing conservation-type lands is described to help identify and

prioritize conservation opportunities (easements, development rights purchases) under all alternatives, to provide a measure of comparison of alternatives (strategies).

The selection and implementation of a preferred alternative will define how future land use opportunities will be addressed, given the level of staffing, funding, legislative priorities and authorization, and implementation of real estate tools associated with that alternative. The proportional share of the residential, commercial and industrial markets that the REMB is able to realize will be based on how well the REMB is able to respond to market conditions. The analyzed alternatives represent a sliding scale from "reactive" (Alt A, no-action, continued current program) to "highly responsive" (Alt C and C-1 - Focused Portfolio), each with a corresponding, relative increase in the share of the residential, commercial and industrial uses occurring on Trust Lands (displayed in acres).

The selected alternative will provide the overall management philosophy for the REMB that will determine the emphasis that will be employed in specific land management decisions. The resulting levels of development on Trust Lands will provide a monitoring indicator and will not be the critical test of success or failure. This is not to suggest that tracking development growth (in acres) on Trust Lands has no value towards assessing implementation of the philosophy of a particular alternative, but only that it is one element of monitoring progress towards successful implementation of the selected alternative, the Plan.

Tracking (accounting, counting) the number of new acres developed for residential, commercial, or industrial uses, or the number of new acres associated with "conservation" is described below.

Conservation – Conservation acres are those lands that have been secured with a lease, easement, or sale for conservation values (open space, natural areas, parks, wildlife habitat, or similar purposes). Conservation would be achieved through:

- Conservation lease or license;
- Securing of development rights through lease, license or permanent disposition;
- Conservation easement;
- Sale of land for conservation use; and
- Purchased property or property received in exchange that is already dedicated or deed restricted for conservation purposes.

Residential – Residential acres are those trust lands that are developed for residential uses at a land use density of at least 1 unit per 25 acres. Residential acres would include:

- Trust lands leased for residential use;
- Trust lands sold at residential values for residential uses;
- Trust lands exchanged where the exchanged trust land is valued (highest and best use analysis) for residential uses; and
- Purchased property or property received in exchange that is already developed and operating for residential uses.

Commercial – Commercial acres are those trust lands that are developed for commercial uses (this would also include certain residential uses normally assessed by the

Department of Revenue as "commercial, such as apartments.) Commercial acres would include:

- Trust lands leased for commercial use;
- Trust lands sold at commercial values for commercial uses;
- Trust lands exchanged where the exchanged trust land is valued (highest and best use analysis) for commercial uses; and
- Purchased property or property received in exchange that is already developed and operating for commercial uses.

Industrial -- Industrial acres are those trust lands that are developed for industrial uses Industrial acres would include:

- Trust lands leased for industrial use;
- Trust lands sold at industrial values for industrial uses;
- Trust lands exchanged where the exchanged trust land is valued (highest and best use analysis) for industrial uses; and
- Purchased property or property received in exchange that is already developed and operating for industrial uses.

Rural tract lands (density of 1 dwelling unit per 25 acres or greater), public easements, parks, schools, public facilities such as recreation fields (or similar uses), and wind mills, were not included in the rural residential or commercial/industrial forecast models. The associated land areas would be tracked for monitoring purposes but would have no direct relationship, from an accounting perspective, to the modeled acreage estimates.

2.5 ALTERNATIVES CONSIDERED BUT ELIMINATED FROM DETAILED STUDY

DNRC is required to consider only alternatives that are realistic, technologically available, and that represent a course of action that bears a logical relationship to the proposal being evaluated (36.2.5552.b ARM; 75-1-201 (2)(iv)(C)(I), MCA).

2.5.1 Minimal/Passive

Some commentators suggested that the DNRC consider a passive alternative, where the REMB would defer new residential, commercial and industrial uses and allow existing land use authorizations to expire. The only uses allowed would have to be non-consumptive, non-extractive, and reversible. Land use activities involving commercial, industrial and residential development would not be authorized. Sales, exchanges and easements would be minimal. This alternative was eliminated from detailed study because it conflicts with the Mission of the Trust Lands Management Division and first objective of the proposed action: Generate increased revenue for trust beneficiaries.

2.5.2 Aggressive Management

Some commented that the REMB should aggressively market residential, commercial and industrial uses wherever possible and use all exemptions available to maximize income to the beneficiaries. The DNRC should accept some adverse environmental effects and adverse public comment in order to earn greater revenue for the trust beneficiaries. This alternative was eliminated because it conflicts with the following objectives listed in Section 1.3:

- It would be in direct conflict with the TLMD's mission to manage Trust Land resources to produce revenues for the trust beneficiaries while considering environmental factors and protecting the future income-generating capacity of the land.
- It would de-emphasize opportunities for public involvement in decisions affecting real estate management.
- It would not simplify the project level evaluation process

2.5.3 Long Term Resource Management and Conservation

Some suggested REMB emphasize the protection of wildlife habitat, open space and public recreation opportunity, and the placement of public facilities on Trust Lands. Residential, commercial and industrial uses would be considered only to the degree that such uses enhanced or did not conflict with these primary resource values.

The primary focus would be placed on using lease and easement agreements and other conservation strategies for the preservation of wildlife habitat, open space, and other natural and cultural resources. This approach would be primarily taken in rural areas, although in certain circumstances it may be appropriate in urban areas with unique natural resource values. If there were conflicts, wildlife and natural resource values would take precedence over all other uses, including public access and recreation.

This alternative was eliminated because it did not address the TLMD's mission related to the generation of revenue for the beneficiaries. In addition, conservation would be a possible land use under any of the alternatives being considered in this EIS, provided the Trusts were fully compensated for the foregone development rights. Finally, current legislation (77-2-101, MCA) limits the use of conservation easements on Trust Lands. Under this statute, conservation easements may only be granted to the Montana Department of Fish, Wildlife, and Parks (FWP) for parcels that are surrounded by or adjacent to land owned by FWP as of January 1, 2001. They may be awarded to a to a nonprofit corporation only for parcels that are surrounded by or adjacent to land owned by that same nonprofit corporation as of January 1, 2001. However, Alternatives B-1 and C-1 were influenced by these concepts.

2.6 DESCRIPTION OF PROPOSED ALTERNATIVES

Five program alternatives are proposed. Guidance to the development of alternatives and authority to prepare a programmatic EIS are set forth by MEPA rules including 36.2.537 and 36.2.529, ARM. Alternative A is the No Action alternative, representing a status-quo approach to real estate management on Trust Lands reflecting the on-going program of the Real Estate management Bureau of the TLMD. Alternative B assumes that development on Trust Lands would keep pace with regional rates of growth related to residential, commercial, and industrial uses. Alternative C assumes that Trust Lands would also share in the expected growth of a region but that share would represent a higher proportion of the expected growth [as compared to Alternative B]. Two of the alternatives also contain a "sub-alternative" related to conservation. Alternatives B1 and C1 provide a stronger emphasis for conservation strategies. In all cases conservation uses must compensate the Trust based on the market value of the "purchased" development rights.

2.6.1 Alternative A – Current Program

The REMB currently generates income from leases, licenses, sales, and easements related to a wide range of land use activities. The Bureau may also use a variety of real estate tools, such as land exchanges and land banking, to position property for future income generating potential. Leasing of land for commercial and industrial uses is an emerging source of increased revenue to the trust and residential leasing remains a viable portion of the leasing portfolio.

Trust Lands have been developed and managed historically for residential, commercial and industrial uses since statehood. The majority of residential leases were established in the late 1940's and early 1950's. The American Timber Lumber Mill, an industrial use located in the Northwest Land Office region, was developed in 1947 and portions of that operation are still active today. Since 1996, when the Department created a separate bureau to address commercial, industrial and residential uses, the management of these uses has become more proactive. A commercial Development Working Group meets annually to allocate budgets and prioritize projects in the Unit/Land offices.

Under Alternative A, the no-action alternative, the REMB would continue to share in the local real estate market on Trust Lands but to a lesser extent than what might otherwise be expected by local market conditions. Under this alternative, the Bureau would remain receptive to new income opportunities in all land use categories. Opportunities to expand the existing portfolio and keep pace with community rates of growth would remain somewhat constrained under this alternative by funding and staffing limited to the current levels.

2.6.1.1 Relationship to Community Growth

Under this alternative, REMB would move the existing real estate program forward into the future in a fashion that remains cognizant of current market conditions. New projects would be identified and prioritized primarily based upon outside inquiries and/or proposals from DNRC personnel with land planning expertise. Under this alternative, it is expected that Trust Lands would realize less, on a proportional basis, than a fair share of the regional market growth. Estimated residential, commercial, and industrial growth under this Alternative assumes Trust Lands share of new growth would be no more than 50% of the market share expected on a land proportion basis. The projected ranges of annual growth of "rural residential" and "commercial/industrial" on Trust Lands under Alternative A through the year 20025 is estimated in Table 2-8 and Table 2-9, respectfully.

Table 2-8. Alternative A: Growth Estimates for Rural Residential Acreages on Trust Lands

Land Office Region	Growth Estimates (acres) by Time Period				
	2003-2010	2011-2015	2016-2020	2021-2025	Total
NWLO	539 - 898	351 – 585	395 – 599	374 – 623	1659-2705
SWLO	300 - 500	207 – 345	215 – 358	222 – 370	944-1573
CLO	110 - 183	212 – 353	223 – 371	233 – 358	778-1265
NELO	(10) – (6)	2 – 4	3 – 5	5 – 8	0-11
SLO	65 - 109	44 – 74	46 – 76	48 – 80	203-339
ELO	(5) – (9)	2 - 3	3 – 5	2 - 4	2-3
Total Ranges	999-1675	818-1364	885-1414	884-1443	3586-5896

Table 2-9. Alternative A: Growth Estimates for Commercial/Industrial Acreages on Trust Lands					
Land Office Region	Growth Estimates (acres) by Time Period				
	2002-2010	2011-2015	2016-2020	2021-2025	Total
NWLO	127 – 212	84 – 140	103 – 171	102 – 171	416-694
SWLO	111 – 184	73 – 122	92 – 153	92 – 153	368-612
CLO	151 – 252	95 – 159	119 – 199	119 – 199	484-809
NELO	35 – 58	28 – 46	33 – 55	33 – 55	129-214
SLO	52 – 87	35 – 58	43 – 72	43 – 72	173-289
ELO	13 - 21	5 - 9	7 – 11	7 - 11	32-52
Total Ranges	489-814	320-534	397-661	396-661	1602-2670

2.6.1.2 Land Use Categories

The REMB would be open to all land use inquiries under this alternative and in some circumstances would take the lead in identifying new land use opportunities. Some opportunities for new revenue sources may be lost due to limitations of regional staffing or expertise.

- Residential – In the last 3 years 11 new residential leases have been created through state and local subdivision regulations. Managing the existing residential lease properties would continue to have higher priority than establishing new residential leases. New leasing opportunities would probably be associated with high value properties where leasing may remain a viable option to the lessee. Other viable approaches to residential leasing may involve apartment or manufactured home developments. Properties identified as "residential" from a highest and best use analysis could also be sold or exchanged to realize the market value of the property.

- Commercial – New commercial opportunities would continue to be identified through Department initiated projects and unsolicited inquiries. Under the current program, Trust Lands dedicated to commercial uses under lease agreements generate a state wide average of $130 per acre over 1,812 acres dedicated to commercial uses. Recent projects are Lewis and Clark Subdivision in Bozeman, Hampton Inn in Great Falls, and Lowe's Home Improvement Center in Kalispell.

- Industrial – New industrial opportunities would continue to be identified through department initiated projects and unsolicited inquiries. Under the current program, Trust Lands dedicated to industrial uses through lease agreements generate a state wide average of $ 241 per acre over 872 acres dedicated to industrial uses.

- Conservation – Several major conservation projects that have occurred since 1996 including the issuance of a lease agreement for the development rights on property acquired through a land exchange from Ted Turner. In March 2004, the Land Board approved a conservation easement to the Department of Fish Wildlife and Parks on Trust Land in and adjacent to

the Blackfoot Clearwater Wildlife Management Area. The associated leases generate an average of $4 per acre on 14,633 acres.

Under Alternative A, the existing program, the REMB considers conservation opportunities as a priority on a percentage of those Trust Lands lying adjacent to existing conservation lands. These would include federally designated areas such as National Parks and Monuments, Wilderness Areas, Wild and Scenic Rivers; Wildlife and Game Refuges and Public/Private Conservation Easements.

The percentage would correspond to the percentage share that Trust Lands have to the entire land base of the land office. Table 2-10 identifies the number of acres per land office area that could be considered for conservation based on the current approach, over the life of the Real Estate Management Plan.

Table 2-10. Potential Conservation Acreage Under Alternative A

Land Office	Trust Acres Adjacent to Conservation Areas	Percentage of Land Base	Acres times Percentage* (acres)
NWLO	22,233.3	3.5%	778
SWLO	12,093.2	3.1%	375
CLO	72,276.3	5.5%	3,975
NELO	66,688.7	7%	4,668
SLO	3,522.0	3.7%	130
ELO	10,464.1	6.2%	649
Total	187,277.6		10,575

*This column reflects the total estimated acres of conservation through the year 2025

The estimated "acres" is a guide but not a cap. The success at achieving these conservation acres largely depends on general public interest and available funding by conservation groups and other interested parties.

2.6.1.3 Location Descriptors

- Urban – New retail and office commercial, industrial, and high density residential uses would continue to be primarily concentrated in urban locations.

- Suburban – Under the current program, low to medium residential density uses are considered appropriate in suburban locations as are some types of neighborhood commercial.

- Rural – Low density residential uses, recreation resorts, and resource based industrial uses are considered appropriate in rural locations under the current program. Other types of commercial are appropriate, such as communication towers and wind farms.

2.6.1.4 Project Selection & Prioritization – (Relationship to the Funnel Process)

Under the existing program of the REMB, the project selection and prioritization methodology is less structured than would be the case under the four actions alternatives. Project opportunities are more often reactive than proactive and project priorities are identified from annual meetings of a Commercial Development Working Group. Projects are typically considered under a coarse filter analysis that addresses general site suitability with respect to the physical and natural environment as well as to the proximity to infrastructure. Consideration is also given to the availability of departmental resources that can be devoted to project development. Under Alternative A, the REMB would continue to strive for a more comprehensive approach to the project filtration process such as set forth under the "Funnel Process" in the action alternatives.

2.6.1.5 Implementation Strategies

- Land Use Authorizations
  - Leases – Under Alternative A, the REMB would continue to maintain and manage existing leases and respond to requests for new leases as resources and staff time allow. The Bureau would continue to place greater emphasis on seeking new commercial and industrial lessees rather than increasing the number of residential leases. Conservation leases would be considered on a request basis.

  - Licenses – The REMB would continue to issue licenses only in response to demand. The Bureau would not seek to increase the number of licenses it issues under Alternative A. Conservation licenses would be considered on a request basis.

  - Easements – The REMB would continue work with adjacent land owners and local government officials in response to proposed easements for a variety of public and private purposes on a case by case basis. Expanded opportunities for conservation easements would be limited as provided for under current law.

- Land Transactions
  - Land Banking – Under Alternative A, the REMB would design a land banking pilot program that would address agriculture, grazing, minerals and timber holdings. For example, the REMB might sell lower income producing grazing lands in order to purchase more lucrative agricultural lands. However, commercial, industrial and residential uses would be a limited part of this initial land banking program.

  - Land Exchanges – Under the existing program, land exchanges would occur primarily in response to inquiries. However if the staff is able to identify a clear advantage in pursuing a land exchange, the REMB may initiate a transaction within the limits of existing resources.

  - Land Sales – Land sales would not be a high priority. However, objectives related to new residential opportunities would likely be achieved through "sale" as opposed to leasing. The Department would continue the existing residential leasing program.

- Marketing
  - Advertising – Advertising would be accomplished with generally "passive" information through web sites and RFP processes mostly related to commercial and industrial inquiries.

  - Real Estate Affiliations – While REMB staff might work with individual real estate professionals in managing its commercial, industrial and residential properties, it is unlikely that any resources would be committed to affiliating with real estate or development organizations or in preparing real estate marketing materials for wide spread distribution.

  - RFP Process – Under Alternative A, the REMB would initiate an RFP process when there is a demonstrated interest in a particular property.

2.6.1.6 Project Management Roles

- The Real Estate Management Bureau – Under Alternative A, the Bureau would maintain its current real estate management approach. Largely, projects would be identified by outside interests. Little time would be spent working with local government or with potential developers to address necessary entitlements for the development of transitional lands. Efforts would generally be spent developing those projects that would provide the highest return for the least amount of effort.

- The Developer – The Developer, under this alternative, would provide the primary impetus for concept development and project design. The Bureau would be more likely to entertain proposals where the potential private user of Trust Land would be responsible for installing needed infrastructure, seeking appropriate land use regulatory designations and obtaining required approvals

- City/County Local Governments – Under Alternative A, the Bureau would coordinate with City and County on limited basis. All local regulatory processes related to the development of Trust Lands would be addressed. However, while the Bureau may participate in expressing its opinions regarding city planning and the availability of infrastructure, it would not consistently engage in efforts to coordinate with the local government to achieve development objectives. Current efforts of this form of coordination include a neighborhood planning effort in the area of Whitefish, involving the city of Whitefish and Flathead County. The city of Kalispell is also discussing options for locating a water tower and fire station on Trust Land in Kalispell.

2.6.1.7 Administration

- Staffing and Staffing Expertise – Under Alternative A, staffing and staffing expertise would remain unchanged. There may be some limited sharing of

personnel among Land Offices where certain expertise may be brought to a specific project on an as needed basis.

- Funding – The REMB would not require additional funding allocations under this alternative. Funding to seek improved entitlements to property would not generally be available.

- Statutory Authority – It may be necessary to expand the authority to create conservation easements under this Alternative. Otherwise, legislative actions would probably be limited to issues of clarification and authority related to existing statutes.

2.6.1.8 Financial Considerations

- Revenue to Trust – Revenues to the Trust would increase to some extent under Alternative A. Revenue would be from existing licenses and leases and from residential land sales and expanded ground leases for commercial and industrial uses. Revenue would not be proportional to the projected market growth.

- Property Tax Benefit – Under Alternative A, the property tax benefit would be attributable to beneficial use taxes associated with industrial and commercial leases and personal property taxes paid on residential improvements. The conversion of lands to the private sector through sale and exchanges would be limited. Lands held for conservation purposes would likely be exempt from ad valorem taxes, but may pay for services or infrastructure improvements.

- Equalization Taxes – The allocation of money to counties in lieu of taxes would not be substantially affected under this alternative.

- Job Creation – New jobs would be created in direct proportion to the number of new developed uses on trust lands. Under this alternative, it could be assumed that Trust Lands would share in 2-5% of new development. Therefore, it could be concluded that Trust Lands would be responsible for 2-5 % of the new jobs.

- Asset Management – Lands classified as "other" would not appreciably reduce the number of acres associated with the other TLMD Bureaus. Within the REMB, development would occur largely in response to unsolicited proposals for commercial, industrial and conservation purposes. Maintaining existing residential leases would have priority over new leases. New residential objectives would be achieved largely through "sales".

2.6.1.9 Environmental Review and Public Involvement

- Local Land Use Regulations – The REMB would keep the local governing bodies and associated planning staff informed of their activities and would follow the local regulatory process for permitting various land uses as needed. The Bureau staff would work to remain informed of local land

use policy development and its potential impact on state lands. However, DNRC would not, for the most part, actively engage in the formulation of policies and regulations related to land use.

- In those cases where specific land use opportunities present themselves, the REMB may, from time to time, approach the local governing bodies to learn of any potential conflicts with local land use policies and what actions should be taken to mitigate any anticipated impacts.

- MEPA – In most cases, the Bureau would continue to strive to address all MEPA requirements and would not seek any exclusions or exemptions. The Bureau would work to coordinate public involvement requirements under MEPA with local public hearing schedules to help streamline the review process and reduce costs.

2.6.2 Alternative B - Diversification of Portfolio

Alternative B seeks to secure a broad based portfolio of income producing properties. This would be accomplished through proactive strategies intended to keep pace with regional market growth and by capturing opportunities identified by others.

2.6.2.1 Relationship to Community Growth

The range of projected annual growth of "rural residential" and "commercial/industrial" on Trust Lands under Alternative B is shown in Tables 2-11 and 2-12, respectfully. These values represent a direct proportion of shared growth based upon the proportion of Trust Lands to other land ownerships (minus "federal" and "water") within a specific land office region.

Table 2-11. Alternative B: Growth Estimates for Rural Residential Acreages on Trust Lands

Land Office Region	Growth Estimates (acres) by Time Period				
	2003-2010	2011-2015	2016-2020	2021-2025	Total
NWLO	1077 – 1795	702 – 1170	718 – 1196	747 – 1245	3244-5406
SWLO	600 – 1000	414 – 690	428 – 714	444 – 740	1886-3144
CLO	219 – 365	424 – 706	446 – 743	467 – 776	1556-2590
NELO	(12) – (20)	5 – 8	6 – 10	8 – 14	7-12
SLO	131 - 218	88 – 146	92 - 153	96 – 160	407-677
ELO	(11) – (18)	2 – 4	6 - 10	4 - 6	1-2
Total	2004-3340	1635-2724	1696-2826	1766-2165	7101-11055

Table 2-12. Alternative B: Growth Estimates for Commercial/Industrial Acreages on Trust Lands					
Land Office Region	**Growth Estimates (acres) by Time Period**				
	2002-2010	2011-2015	2016-2020	2021-2025	Total
NWLO	254 – 423	168 – 280	185 – 309	205 – 342	812-1354
SWLO	221 – 368	146 - 244	164 – 274	183 – 305	714-1191
CLO	303 – 505	190 – 317	215 – 358	238 – 397	946-1577
NELO	70 – 117	55 – 92	60 – 100	66 – 110	251-419
SLO	104 – 174	69 – 115	77 – 129	86 – 144	336-562
ELO	26 - 43	11 - 18	12 - 21	14 - 23	63-105
Total	978-1630	639-1066	713-1191	792-1321	3122-5208

2.6.2.2 Land Use Categories

Under this alternative, the Bureau would attempt to balance the real estate portfolio with uses associated with each of the land use categories. Projects would be prioritized on a statewide basis to benefit from shared expertise and available funding.

- Residential – Income from lands with residential values would be realized primarily through land sales and land banking. Some leasing of land for residential uses may be pursued in urban locations and in high value amenity locations.

- Commercial – Commercial leasing opportunities would be pursued primarily in urban and highway locations. Suburban and rural opportunities would primarily be identified by outside interests.

- Industrial – Industrial opportunities would be prioritized in identified growth areas where adequate infrastructure is available to serve the intended uses. Public requests for industrial uses on Trust Lands, such as sewage treatment facilities, would be evaluated on a case-by-case basis.

- Conservation – Under Alternative B, the REMB would consider conservation opportunities a priority on a percentage of those Trust Lands lying within one half mile of land with existing conservation designations. These would include federally designated areas such as National Parks and Monuments, Wilderness Areas, Wild and Scenic Rivers; Wildlife and Game Refuges and Public/Private Conservation Easements. The percentage of conservation uses on Trust Lands would correspond to the percentage share that Trust Lands have of the entire land base. Conservation use would generally be achieved through the sale of development rights on lands with residential values. Table 2-13 identifies the number of acres per land office area that could be considered for conservation based on this approach, over the life of the Real Estate Management Plan. The acreages presented are an estimate only and do not intend to suggest a limit or cap to the acres that could be placed in conservation use. Likewise, the purchasing of development or conservation rights is not in fact a utilization of those development rights, and therefore, those acres would not be calculated in the assessment of growth of residential development.

Table 12-13. Potential Conservation Acreage Under Alternative B			
Land Office	Trust Acres within 0.5 miles of Conservation Lands	Percentage of Land Base	Acres times Percentage (Acres)*
NWLO	38,501.9	3.5%	1,348
SWLO	26,223.7	3.1%	813
CLO	130,830.8	5.5%	7,196
NELO	101,302.7	7%	7,091
SLO	12,319.2	3.7%	456
ELO	20,947.3	6.2%	1,299
Total	330,125.6		18,203
*Column represents total conservation acres through the year 2025			

2.6.2.3 Location Descriptors

New revenue generating projects would be linked closely to regional market conditions. Under this alternative, the REMB would attempt to attain a proportional share of the anticipated market growth of a region. In general, projects would be located on sites with high suitability ranking (see Table 2-6).

- Urban – New retail and office commercial opportunities and high density residential uses would primarily be located on Trust Lands located in close proximity to urban locations.

- Suburban – Low to medium residential density uses would be appropriate in suburban locations as would some types of neighborhood commercial developments.

- Rural – Low density residential uses, recreation resorts, and resource based industrial uses would be appropriate to rural locations. Other types of commercial may also be appropriate, such as communication towers.

2.6.2.4 Project Selection & Prioritization – (Relationship to the Funnel Process)

The Bureau would make use of the funnel process as described in Section 2.3.1 and assume a more active role [as compared to Alternative A] in creating new revenue opportunities for the trusts. This would include the identification of lands suitable for development and the active pursuit of the entitlements that would help position the lands in the market place. In addition, more staff resources would be directed towards selecting and ranking projects for more specific project level review.

2.6.2.5 Implementation Strategies

Under Alternative B, the REMB would make use of a variety of real estate tools to meet its objectives to keep pace with community growth. In higher growth areas, the REMB is likely to engage in various transactions in order to position itself to take advantage of the available market. In areas where there is little or no growth, the REMB may chose to sell properties and buy lands or existing improvements that can provide a greater return elsewhere. Where opportunities for joint ventures present themselves, the Bureau may

forge relationships with private and/or public developers in order to bring more resources to site and project development.

- Land Use Authorizations
  - Leases – The REMB would continue to maintain and manage existing leases and respond to requests for new leases under Alternative B. While some residential leases would be considered, overall, greater emphasis would be placed on seeking new commercial and industrial lessees.

  - Licenses – Under Alternative B, the Bureau would continue to respond to individual license requests, but generally licensing would have a lower priority than under Alternative A. Greater emphasis, however, would be placed on proposals from potential lessees that offer a higher projected rate of return to the trust.

  - Easements – The REMB would work with adjacent land owners and local government officials in response to proposed easements for a variety of public and private purposes on a case by case basis. Easement opportunities on lands that have conservation values would be limited pending changes to existing laws.

- Land Transactions
  - Land Banking – Under Alternative B, the REMB would use land exchanges to acquire lands with higher revenue generating potential and improved public access. In addition, the Bureau would also, to some extent, use land banking to acquire lands that are well positioned to take advantage of future revenue generation and lands that have an existing revenue stream (existing revenue producing activities on the land). Under current rules, the role of land banking may not be an effective tool for repositioning land values into existing developed properties.

  - Land Exchanges – Under Alternative B, the REMB would respond to inquiries related to land exchanges. In addition, the Bureau would seek land exchange opportunities that would result in better present and future income. The REMB would also consider land exchanges that would result in a mixed acquisition wherein equal acres would be achieved in addition to other property that would have immediate income potential.

  - Land Sales – Land sales and land banking would be the primary tools to achieve the residential objectives. However, leasing of land for residential uses would be considered if land sales or land banking could not be accomplished. The Department would continue the existing residential leasing program.

- Marketing
  - Advertising – The REMB would make use of a number of lower cost advertising strategies to promote land use objectives on state Trust Lands. These would include both print and electronic media and the target markets would generally be regional. Location signs, and advertisements in real estate circulars would also be utilized. The Bureau would initiate a specific marketing strategy to promote conservation objectives.

  - Real Estate Affiliations – The REMB would work with real estate development organizations in order to promote Trust Land properties more widely. The Bureau staff would contact real estate professionals to assist in marketing lands and join real estate professional organizations in order to achieve greater visibility in the community.

  - RFP Process – Generally, the RFP Process would be initiated in response to specific inquiries. However, in some cases the REMB might work to enhance a property's market position. This would include the improvements of various entitlements associated with the land including physical infrastructure and land use designations prior to the issuance of an RFP.

2.6.2.6 Project Management Roles

- The Real Estate Management Bureau – The REMB would take a more active role in the identification, development, and management of residential, industrial, and commercial uses. In addition to responding to unsolicited proposals, the Bureau would identify potential projects and undertake preliminary concept development and feasibility analyses in preparation for solicitation of project proposals.

- The Developer – The REMB would work with potential developers to secure necessary entitlements including infrastructure and land use designations as needed. This might be accomplished through partnership agreements and other cooperative arrangements. While the REMB would take a greater role in project development than under Alternative A, the private (or public) developer would typically bear the majority of the costs associated with site preparation and with meeting any associated regulatory requirements.

- City/County Local Governments – The REMB would work closely with local governing bodies to assure a well-planned program of development. The relationship would include participation in local land planning decision making, which could affect the future potential of Trust Lands. The Bureau would also work closely with city and county governments as they plan for infrastructure development. At the project level, the REMB would coordinate with local governments to comply with land use regulatory processes including public involvement requirements and to coordinate those processes with DNRC responsibilities under MEPA.

2.6.2.7 Administration

- Staffing and Staffing Expertise – Alternative B may require additional staff. Current staff levels may not be adequate to develop and evaluate project proposals or to work with developers and government officials. Specific expertise in planning, real estate appraisal, marketing, engineering, and finance would be particularly important. Three additional employees over the existing staffing (Alternative A) may be necessary. The Bureau would emphasize shared expertise and establish teams of project planning and development personnel that could be assigned based on state-wide priorities. Whenever possible, staffing needs would be achieved through reassignment of vacant FTEs (Full Time Equivalent Employees).

- Funding – Alternative B may require the allocation of additional financial resources to the REMB. Additional funding may be necessary for increased staffing and project support, including costs to improve land entitlements. Additional funding sources may be sought to achieve program objectives through a development improvement fund (revolving) and a percentage share of lease and sale revenue. Up to $500,000 per year would be sought to improve land entitlements.

- Statutory Authority – Legislation would be necessary to authorize a special development revolving fund and any other special funding requests. A change in the law pertaining to conservation easements would also be necessary to achieve conservation objectives.

2.6.2.8 Financial Considerations

- Revenue to Trust – New revenue sources would primarily be from (1) land sales of unimproved residential valued properties, (2) commercial leases, (3) industrial leases, and (4) conservation licenses, leases, and easements. Residential properties (unimproved) provide the largest opportunity for new income.

- Property Tax – The property tax benefit would be attributable to beneficial use taxes associated with industrial and commercial leases and personal property taxes paid on residential improvements. In addition, it is anticipated that unimproved residential-valued properties would be converted to private ownership through sales and land banking, creating additional property tax revenue for the community. Lands held for conservation purposes would likely be exempt from ad valorem taxes, but may pay for services or infrastructure improvements.

- Equalization Payments – Under this Alternative, the amount of land converted to "other" remains well under 1% (0. 3) of the total Trust Land area. As such, there would be no appreciable change expected to county equalization receipts. However, tax revenue from leased and sold properties would increase for most of the central and western counties.

- Job Creation – Since Trust Lands would only be sharing in the expected growth of a community; no new jobs would actually be created. However, under this alternative, it could be assumed that Trust Lands would experience 4-10% of new development and so it could be concluded that Trust Lands would be responsible for 4-10 % of the new jobs.

- Asset Management – The REMB would expand its current role relative to the other Trust Land portfolios (timber, agriculture, grazing and minerals). Within the REMB, development would occur both in response to unsolicited proposals and through Bureau initiated activities. Management would emphasize development of those properties and uses that would provide the greatest return relative to any investment required.

2.6.2.9 Environmental Review and Public Involvement

- Local Land Use Regulations – The REMB would work with local governing bodies to identify ways to engage in development activities within the framework of local land use policies and regulatory processes. From time to time, the REMB would participate in discussions at the local level regarding policy formulation and work to coordinate its planning processes with those of the local governments, particularly when such activities would enhance revenue opportunities. The REMB would also engage in neighborhood planning processes that serve to provide necessary entitlements for development with respect to local land use policies and regulations. Projects would meet or exceed land use development standards as set forth in local, state and federal regulations and policies. In those cases where local jurisdictions do not have land use regulations and policies in place or in those cases where local policies and regulations are limited, the DNRC would follow model regulations formulated at the state level.

- MEPA – All projects would be developed in compliance with MEPA. For those projects approved through the local regulatory processes, MEPA and associated analyses would largely be achieved by adhering to the local review processes. Where appropriate, the REMB would seek categorical exclusions from MEPA in cases where local land use regulations adequately evaluate (relative to the MEPA process) the impacts of a project.

2.6.3 Alternative B-1: Diversified Portfolio – Conservation Priority

Alternative B-1 incorporates all of the elements of Alternative B with the exception of Conservation uses on Trust Lands. As under Alternative B, the REMB would consider conservation opportunities a priority on a percentage of those Trust Lands lying within one half mile of land with such existing conservation lands National Parks and Monuments, Wilderness Areas, Wild and Scenic Rivers; Wildlife and Game Refuges and Public/Private Conservation Easements. The REMB would strive to achieve a percentage of conservation uses on Trust Lands that would correspond to the percentage share that Trust Lands have of the entire land base. Conservation use would generally be achieved through the sale of development rights on lands with residential values. Under Alternative B no development rights purchases would apply towards the total estimated share (acreage) of residential development on trust lands.

Under Alternative B-1, the purchase of residential rights, up to one-half of the 11,055 acres estimated for rural residential growth, could be counted towards the trust lands projected share of "residential' development.

2.6.4 Alternative C - Focused Portfolio

Under this alternative, the REMB would actively evaluate the Trust Land revenue opportunities on a continual basis to determine a full range of project opportunities. The Bureau would react quickly to market opportunities and attempt to realize a higher proportion of the anticipated growth in regional markets.

2.6.4.1 Relationship to Community Growth

The projected ranges of annual growth of "rural residential" and "commercial/industrial" on Trust Lands under Alternative C are shown in Tables 2-14 and 2-15. Depending on the land office region, growth of residential, commercial, and industrial uses on Trust Land would range between 8 and 20% of the anticipated growth of those regions. These percentages are double the values reflected under Alternative B and assume that Trust Lands would experience a higher proportion (on a per acre ratio with other lands) of residential, commercial, and industrial uses.

Table 2-14. Alternative C: Growth Estimates for Rural Residential Acreages on Trust Lands

Land Office Region	Growth Estimates (acres) by Time Period				
	2003-2010	2011-2015	2016-2020	2021-2025	Total
NWLO	2156 – 3592	1403 – 2339	1436 – 2394	1495 – 2491	6490-10816
SWLO	1200 – 2000	829 – 1381	857 – 1429	888 – 1480	3774-6290
CLO	438 – 730	847 – 1411	891 – 1485	931 – 1551	3107-5177
NELO	(24) – (40)	8 – 14	12 – 20	17 – 29	13-23
SLO	289 – 481	176 – 293	183 – 305	193 – 321	841-1400
ELO	(20) – (34)	5 - 9	12 - 20	8 - 13	5-8
Total	4039-6729	3268-5447	3391-5653	3532-5885	14230-23714

Table 2-15. Alternative C: Growth Estimates for Commercial/Industrial Acreages on Trust Lands

Land Office Region	Growth Estimates (acres) by Time Period				
	2002-2010	2011-2015	2016-2020	2021-2025	Total
NWLO	508 – 847	336 – 559	371 – 618	410 – 683	1625-2707
SWLO	442 – 737	293 – 488	328 – 547	366 – 610	1429-2382
CLO	605 – 1009	381 – 634	430 – 716	476 – 793	1892-3152
NELO	140 – 233	111 – 185	120 – 200	133 – 221	504-839
SLO	208 – 347	138 – 230	155 – 258	173 – 288	674-1123
ELO	51 - 85	21 - 35	25 - 41	27 - 45	124-206
Total	1954-3258	1280-2131	1429-2380	1585-2640	6248-10409

2.6.4.2 Land Use Categories

Projects that return the highest net revenue to the trusts would be given higher priority under this alternative.

- Residential – A high proportion of Trust Lands suitable for development are considered to have residential land values. The REMB would attempt to realize a proportionally higher share of the residential market in growth regions of the State. Revenue would be generated by land sales, land banking, and through some cooperative development agreements with the private sector. Additional leasing opportunities would be sought through programs offered by local governments and such agencies as Fannie Mae.

- Commercial – Commercial uses on Trust Lands would be a priority objective under this alternative. Revenue opportunities would be sought through leases for new development and acquisition of existing commercial uses.

- Industrial – Under this alternative, the REMB would attempt to secure long-term leases with industries, including high-tech firms. This would require improving entitlements on certain urban lands and lands associated with extensive infrastructure systems. Opportunities would also be actively pursued on rural lands that may be suitable for resource-based industries.

Conservation – Under Alternative C, the Bureau would consider conservation opportunities as a high priority on a percentage of those Trust Lands that lie within one mile of lands with conservation values. The percentage of conservation uses on Trust Lands would correspond to the percentage share that Trust Lands have of the entire land base. Conservation use would generally be achieved through the sale of development rights on lands with residential values. However, Trust Land Acres that are placed in conservation use through the purchase of development rights would not be "counted" in the calculation of developed residential acreage for accounting purposes under Alternative C (see Chapter 4). Table 2-16 identifies the number of acres per land office area that could be considered for conservation based on this approach, over the life of the Real Estate Management Plan. The acreages presented are estimates only and do not intend to suggest a limit to the acres that could be placed in conservation use.

Table 2-16. Potential Conservation Acreage Under Alternative C

Land Office	Trust Acres Within One Mile of Conservation Areas	Percentage of Land Base	Acres times Percentage (acres)*
NWLO	50,866.8	3.5%	1,780
SWLO	38,968.3	3.1%	1,208
CLO	176,376.3	5.5%	9,701
NELO	134,821.7	7%	9,438
SLO	19,956.5	3.7%	738
ELO	25,057.8	6.2%	1,554
Total	446,047.4		24,419

*Column represents total conservation acres through year 2025

2.6.4.3 Location Descriptors

Under this alternative, the Bureau would explore all opportunities for increased revenue to the trusts. Target areas of opportunity would generally be associated with identified growth regions of the state and lands with medium to high suitability (see Table 2-6).

- Urban – Urban locations within growing communities would be given high priority for new income opportunities. Commercial, industrial, and residential developments would be pursued in the form of new leases on raw land or through acquisition of existing developed properties.

- Suburban – Revenue for residentially valued land would be realized through land sales, land banking, joint ventures, and other real estate practices. Most of the new revenue opportunities would be "residential".

- Rural – Low density residential uses, recreation resorts, and resource based industrial uses would be appropriate to rural locations. Industrial uses may also be appropriate to rural locations having convenient access to travel corridors and other necessary infrastructure. Other types of commercial may also be appropriate, such as communication towers.

2.6.4.4 Project Selection & Prioritization – (Relationship to Funnel Process)

The REMB would be fully involved in project development at all levels of analysis – from the identification of lands suitable for development to project level design and evaluation. The project selection and development process would also include, in certain circumstances, the active pursuit of entitlements that would make Trust Lands more marketable including, for example, the installation of infrastructure.

2.6.4.5 Implementation Strategies

The REMB would make use of a wide range of real estate development tools in order to meet land use and revenue objectives. Bureau staff would both initiate and respond to land use proposals for a variety of uses. When appropriate, the REMB would form partnerships with other public and/or private entities to enhance those financial and human resources that may be brought to a project. For example, the REMB might work with a private developer to provide infrastructure to prepare a commercial or industrial site for leasing.

- Land Use Authorizations
  - Leases – The REMB would actively pursue additional commercial and industrial leases in areas where market conditions warrant this type of development. Leases would also be considered for high value residential properties with scenic and recreational amenities. In urban areas, the REMB would consider single family, multi-family, pre-fabricated, and mobile home residential leases.

  - Licenses – The REMB would emphasize long-term licenses with a high rate of return over short-term leases. "Walk in" requests for individual short-term leases would generally be discouraged.

- Easements – The REMB would continue to respond to requests for easements on state lands for both private and public purposes. However, those proposals that provide greater income to the Trust would be favored. Conservation easements would be difficult to convey under current legal constraints.

- Land Transactions
  - Land Banking – The REMB would use Land Banking to acquire existing properties with high revenue streams and to provide increased public access to Trust Lands. The Bureau would also use Land Banking (with proper legislative authorization) to position itself in areas of high growth, including purchasing existing developed uses in areas where Trust Lands are not well positioned to capture revenue opportunities.

  - Land Exchanges – The REMB would consider those land exchanges that would result in the acquisition of both undeveloped land and land with improvements that provide an existing income stream.

  - Land Sales – Land sales under Alternative C would be considered in conjunction with joint ventures and partnerships between the DNRC and private and/or public entities. Under this approach, the joint venture/partnerships would make physical improvements to the land and seek those land use designations that would improve overall marketability. Once the maximum entitlements are achieved, the land would be sold and the partners would share in the profits associated with the improvements. Most of the residential objectives for new residential growth would be accomplished through land sales. The Department would continue the existing residential leasing program.

- Marketing
  - Advertising – Alternative C would involve a very active marketing component. In addition to print and electronic advertising strategies, the REMB would engage in a wide-reaching aggressive campaign that might include an interactive web page to respond to inquiries and the preparation of highly produced development packets and brochures with information on available lands and leases. The REMB might also consider working with a professional marketing firm in advertising its properties through brochures, video presentations and various computer and Internet strategies.

  - Real Estate Affiliations – The REMB would work closely with local, state and national real estate and development organizations. Affiliations with these professional groups would be key in promoting state Trust Land properties. Bureau staff would be active members of local organizations and attend regional and national real estate conferences and meetings in order to promote its programs and offerings.

- RFP Process – Under Alternative C, the REMB would engage in an aggressive effort to market its lands through the RFP Process. Prior to issuance of an RFP, however, work would be done to improve land entitlements through a number of mechanisms including, but not limited to:
  - seeking appropriate zoning designations
  - arranging for and installing necessary infrastructure
  - adding amenities and enhancements
  - identifying potential public and private partners

The RFP process would include not only traditional legal notices but targeted solicitations as well.

2.6.4.6 Project Management Roles

- The Real Estate Management Bureau – Alternative C would expect the REMB to actively manage residential, conservation, industrial, and commercial uses on Trust Lands. While the REMB would continue to respond to unsolicited proposals, greater emphasis would be placed on Department initiated project development to assure the greatest revenue return.

- The Developer – The REMB would work closely with potential developers to establish project feasibility in the market place. Partnership agreements with private entities would be pursued, as appropriate, in preparing market studies, developing infrastructure and in preparing sites for construction. Under Alternative C, the Bureau would also focus on the acquisition of existing buildings. The REMB could then enter into an agreement with a project manager to expand, rehabilitate, and/or manage these properties.

- City/County Local Governments – Bureau staff would work closely with local jurisdictions in land planning and infrastructure development. Whenever possible, the REMB would seek the most advantageous policy decisions in light of revenue objectives. REMB would work cooperatively with local governments to provide infrastructure and services to Trust properties as resources and opportunities permit.

2.6.4.7 Administration

- Staffing and Staffing Expertise – Alternative C may require a substantial commitment of staff. While the Bureau would still try to share expertise among Land Offices, the level of activity may require a larger special resources staff over all. As under Alternative B, expertise would be needed in planning, real estate, appraisal, engineering, marketing, and finance. It is estimated that four additional staff may be required as compared to Alternative A.

- Funding – Additional funding may be necessary for increased staffing and project support, including costs to improve land entitlements. Additional funding sources would be sought to achieve program objectives through a development improvement fund (revolving) and a percentage share of lease

and sale revenue. Up to $1 million per year would be sought to improve land entitlements. The economic analysis by Jackson (2004) included in Appendix D suggests that increased funding to improve land entitlements would generate a greater return to the Trust. To the extent possible, increased staffing needs would be accomplished with reassignment of vacant FTEs.

- Statutory Authority – Legislation would also be necessary to authorize a special development revolving fund and any other special funding requests. A change in the law pertaining to conservation easements would also be necessary to achieve conservation objectives.

2.6.4.8 Financial Considerations

- Revenue to the Trust – New revenue sources would primarily be from (1) land sales of unimproved residential valued properties, (2) commercial leases, (3) industrial leases, and (4) conservation licenses, leases, and easements. Residential properties (unimproved) provide the largest opportunity for new income. Leasing of residential properties following land development would be pursued to a greater extent than anticipated by the other alternatives.

- Property Tax – Under Alternative C, the property tax benefit would be attributable to beneficial use taxes associated with industrial and commercial leases and personal property taxes paid on residential improvements. In addition, it is anticipated that some residential properties would be converted to private ownership, creating additional property tax revenue for the community. Purchase of existing buildings and infrastructure for lease would have no immediate affect on the tax base. Lessees would continue to pay all real and personal property taxes. Over time, improvements made to facilities could increase the property tax benefit to the community

- Equalization Payments – There would be no appreciable change expected to county equalization receipts since lands converted to "other" remains a small percentage of the total Trust Land area. However, property tax revenue from leased and sold properties would increase for most of the central and western counties.

- Job Creation – Since Trust Lands would only be sharing in the expected growth of a community, no new jobs would actually be created. However, under this alternative, it could be assumed that Trust Lands would realize 8-20% of new development and so it could be concluded that Trust Lands would be responsible for 8-20% of the new jobs.

- Asset Management – Lands classified as "other" would not appreciably reduce the number of acres associated with the other TLMD Bureaus. Within the REMB, emphasis would be placed on those properties that are positioned well to take advantage of market growth over time. This might

include properties that are not currently in close proximity to infrastructure or that may not be appropriately zoned but would ultimately provide a favorable return. Management emphasis would shift slightly in favor of long term leases on commercial and industrial properties, management of existing developed properties acquired through land banking, and joint ventures/partnerships to develop residential lands.

2.6.4.9 Environmental Review and Public Comment

- Local Land Use Regulations – Under Alternative C, the REMB would have an ongoing, active role in local land use planning activities. However, participation in local planning processes would focus on achieving the greatest flexibility in land use authorization sought during the planning process. Bureau staff would actively participate in local government processes to develop, amend or apply growth plans, zoning designations, subdivision, annexation and development agreements or other policies or regulations where there is the possibility of increasing revenue for the trust beneficiaries. The REMB would focus its neighborhood planning processes on maximizing revenue. Local land use policies and regulatory processes would be followed.

- MEPA – All projects would be developed in compliance with MEPA. For those projects approved through the local regulatory processes, MEPA and associated analyses would largely be achieved by adhering to the local review processes. Where appropriate, the REMB would seek categorical exclusions from MEPA in cases where local land use regulations adequately evaluate (relative to the MEPA process) the impacts of a project.

2.6.5 Alternative C-1: Focused Portfolio – Conservation Priority

Alternative C-1 incorporates all of the elements of Alternative C with the exception of Conservation uses on Trust Lands. As under Alternative C, the REMB would consider conservation opportunities a priority on a percentage of those Trust Lands lying within one mile of lands with existing conservation objectives, such as lands located within National Parks and Monuments, Wilderness Areas, Wild and Scenic Rivers; Wildlife and Game Refuges, and Public/Private Conservation Easements. The REMB would strive to achieve a percentage of conservation uses on Trust Lands that would correspond to the percentage share that Trust Lands have of the entire land base. Conservation use would generally be achieved through the sale or leasing of development rights on lands with residential values. However, unlike Alternative C where no development rights purchases would apply towards the total estimated share of residential development on trust lands, (again as in Alternative B-1) up to one-half of the total estimated rural residential estimated share of 23,7114 acres could be achieved through purchase of development rights on rural lands having "residential" as the highest and best use.

2.7 DESCRIPTION OF REASONABLY FORESEEABLE FUTURE ACTIONS NOT PART OF THE PROPOSED PROGRAMMATIC PLAN BUT RELATED TO CUMULATIVE EFFECTS

The scope of a cumulative impacts analysis is guided by 75-1-208 (11), MCA. This plan would have no direct or indirect influence on growth and development of other agency lands.

Cumulative effects on other revenue-generating bureaus of the Trust Land Management Division are expected to be complementary to the overall revenue objectives for the trusts. Development on Trust Lands is expected to have negligible economic, environmental, and social impacts to the local communities since an assumption is made that Trust Lands would not be creating new development opportunities but, instead, would be responding to accommodate the anticipated growth of a community. Specific effects of new development on Trust Lands would be subject to project level evaluations through local land use regulatory review processes and MEPA. The total land area dedicated to new residential, commercial, and industrial land uses through the year 2025 is expected to be less than 1% of the total Trust Land area.

2.7.1 Agricultural Land Leasing

Revenue form agricultural leasing on Trust Lands averages around $8 million dollars per year. Average revenue per acre for agricultural uses is approximately $14.00. Over a period of decades, the acreage available for agricultural leasing may increase through conservation agreements and asset shifting between programs. The REMB may have an indirect influence on the amount of land available for agricultural practices through actions related to land banking and land exchanges. In some situations, residential valued lands may be exchanged or land banked to increase agricultural acreages.

2.7.2 Grazing Land Leasing

Revenue form grazing activities on Trust Lands fluctuates between $4.5 and $6 million dollars per year. Average revenue per acre for grazing is approximately $1.25. Over a period of decades, the acreage available for grazing leasing may decrease through asset shifting between programs. The Bureau may have an indirect influence on the amount of land available for grazing through actions related to land banking and land exchanges. In some situations, grazing lands may be exchanged or land banked to increase acreage for higher income property.

2.7.3 Forest Product Sales

Revenues form timber sales on Trust Lands fluctuate significantly between years, ranging $6 to $10 million per year. Average revenue per acre of total forest classified lands is approximately $7.00. Over a period of decades, the acreage available for timber sales may increase through asset shifting between programs. Bureau activities may have an indirect influence on the amount of land available for timber management through actions related to land banking and land exchanges. In some situations, grazing lands may be exchanged or land banked to increase acreage for forested lands. In other situations, forested lands may have a higher and better use for residential purposes so land available for timber sales may slightly decrease. As suggested in each of the five alternatives, the option to purchase residential development rights on forested lands would secure long-term opportunities for forest management.

2.7.4 Mineral, Oil, Gas Leasing

No significant cumulative impacts to the Minerals Management Bureau are expected with implementation of the real estate management program. The potential impacts to the subsurface mineral rights are evaluated in all situations involving decisions that might affect the long-term disposition of Trust Lands through sale, exchange, or easement. Subsurface rights can be protected, when desirable, by partial conveyance of only the surface rights. Lands considered to be valuable for mineral deposits cannot be sold (77-2-303, MCA).

2.7.5 Recreation

Legally accessible Trust Lands are open to recreational use. This use has been authorized under a general recreational use license since 1990. Since the inception of the program, the revenues have increased from less than $50,000 annually to $405,700 in fiscal year 1998 and $558,000 in fiscal year 2003.

In the 2003 legislative session, Senate Bill 130 passed authorizing compensation for hunting, fishing and trapping through an agreement with the Department of Fish Wildlife and Parks whereby FW&P compensates the trust for each conservation license sold, beginning March 2004. Revenues are expected to increase to over $900,000 as a result of this agreement. All other recreational use activities will continue to be authorized under the general recreational use license.

Over the next several decades, some land asset shifting would occur as a result of land sales, land exchanges, and land banking. Through this process, it is expected that the acreages for classified "forest", "other", and "agriculture" would increase with a decrease in classified grazing lands. The public may notice that access to some well-known "neighborhood" Trust Lands may be lost with change of ownership but on an overall basis, total acreage of Trust Lands available for casual recreation is either not expected to decrease or decrease only slightly.

2.8 SUMMARY COMPARISON OF THE EFFECTS OF ALL ALTERNATIVES ON THE PROJECT OBJECTIVES AND ON THE RELEVANT ENVIRONMMENTAL FACTORS

The alternatives consider growth options for "commercial", "conservation", "industrial", and "residential" on school Trust Lands. In each alternative, an assumption is made that Trust Lands would share (not create) expected future growth. It is assumed that the expected growth would occur regardless; and that certain Trust Lands may actually be suitable and capable of capturing some of that expected growth. In certain situations, it could be argued that development of some Trust Lands may be more environmentally appropriate than development of non-Trust Lands. This would be the situation if development activities were forced to "leap" beyond Trust Lands to meet local development demands or if Trust Lands were better positioned for development due to favorable topography, location, and access to infrastructure. The only clear distinction of impacts relates to the management objectives of the TLMD and revenue parameters. For example, it can be assumed that increased development (including conservation) on Trust Lands would generate more revenue to the trust beneficiaries and more taxes (property and personal) to local and state agencies. However, development on Trust Lands does not necessarily create new jobs since the development would occur anyway. Under each of the alternatives, new development potential on Trust Lands never exceeds 1% of the total Trust Land acreage through the year 2025. The percentage share of development is even less significant when considered in the context of the entire acreage (all landowners). Table 2-17 attempts to summarize the management and environmental distinctions between alternatives without consideration of the broader context of land use development on non-Trust Lands.

Table 2-17. Summary Comparison of Effects						
		Alternatives				
		A	B	B-1	C	C-1
Growth By Land Use Type						
	Residential	+	++	+	+++	++
	Commercial	+	++	++	+++	+++
	Industrial	O	+	+	+	+
	Conservation	+	+	++	+	+++
Growth By Location						
	Urban	O	+	+	++	++
	Suburban	O	+	+	++	++
	Rural	O	+	O	++	+
Project Selection by DNRC						
	Reactive	O	+	+	+	+
	Proactive	O	+	+	++	++
Real Estate Tools						
	Leases	O	+	+	++	++
	Licenses	O	+	+	+	+
	Easements	O	+	+	+	+
	Land Banking	O	+	+	++	++
	Land Exchanges	O	+	+	++	++
	Land Sales	O	+	+	+	+
	Joint Ventures	O	+	+	++	++
	Marketing	O	+	+	++	++
	Property Purchases	O	+	+	++	++
Project Management Roles						
	DNRC	O	+	+	++	++
	Developer	O	+	+	+	+
	Local Government	O	+	+	+	+
	Partnerships	O	+	+	++	++
Administrative Support						
	Staffing	O	+	+	++	++
	Funding	O	+	+	++	++
	Statutory Authorizations	O	+	+	+	+
Financial						
	Revenue to Trust	+	++	+	+++	++
	Tax Revenue	+	++	+	+++	++
	PILT	O	O	O	O	O
	Job Creation	O	+	O	++	+
	Asset Management	O	+	+	++	++
Environmental Review						
	Local Land Use Regulations	+	+	+	+	+
	MEPA	+	+	+	+	+
Environmental Affects						
	Geology & Soil	O	+	+	+	+

Table 2-17. Summary Comparison of Effects						
		Alternatives				
		A	B	B-1	C	C-1
	Water Resources	O	O	O	O	O
	Fisheries	O	O	O	O	O
	Wildlife	O	+	+	+	+
	Vegetation	O	+	+	+	+
	Air Quality	O	+	+	+	+
	Noise	O	+	+	+	+
	Aesthetics	O	O	O	O	O
	Cultural	O	O	O	O	O
	Community Infrastructure	O	O	O	O	O
	Taxes	O	+	+	++	++
Note: O = current condition; + = elevated and relative impact from current condition						

2.9 PREDICTED ATTAINMENT OF PROJECT OBJECTIVES BY ALTERNATIVE

2.9.1 Objective 1 – Generate increased revenue for Trust beneficiaries greater than current levels

Revenue generation associated with each alternative is expressed relative to the status quo (Alternative A). Under all five alternatives, however revenue to the Trust is expected to grow.

2.9.1.1 Alternative A: Current Program

Under Alternative A, the Bureau would continue to manage its lands at the current level of activity, or at a rate that is less than market share. The study by Jackson (2004) included in Appendix D suggests that Alternative A would generate an annual rate of return of approximately 2.13%.

2.9.1.2 Alternative B: Diversified Portfolio

Under Alternative B, the Real Estate Management Bureau would develop trust lands in direct proportion to the percentage that state lands have of the entire developable land base within each land office region. The study by Jackson (2004) included in Appendix D suggests that Alternative B would generate an annual rate of return of approximately 4.66-5.13%, with the higher rate of return resulting from improved land entitlements achieved through the expenditure of up to 500,000 per year for those purposes.

2.9.1.3 Alternative B-1: Diversified Portfolio – Conservation Priority

Under Alternative B-1, the Real Estate Management Bureau would develop commercial and industrial uses on trust lands in direct proportion to the regional market. However, residential development on trust lands would be comparable to Alternative A and the replacement income would be less from the substituted conservation "sales". As such, the overall expected revenue and rate of return should fall somewhere between those of Alternative A and Alternative B.

2.9.1.4 Alternative C: Focused Portfolio

Under Alternative C, the Bureau would develop trust lands at a rate proportional higher than other lands in the region. The study by Jackson (2004) included in Appendix D suggests that Alternative C would generate an annual rate of return of approximately 5.48-6.35%, with the higher rate of return resulting from improved land entitlements achieved through the expenditure of up to $1 million per year for those purposes

2.9.1.5 Alternative C-1: Focused Portfolio – Conservation Priority

Under Alternative C-1, the Real Estate Management Bureau would develop commercial and industrial uses on trust lands at a rate proportionally higher than other lands in the area. However, residential development on trust lands would be comparable to Alternative B and the replacement income would be less from the substituted conservation "sales". As such, the overall expected revenue and rate of return should fall somewhere between those of Alternative B and Alternative C.

2.9.2 Objective 2 – Comply with the Montana Environmental Policy Act (MEPA) requirement for developing a programmatic plan, DNRC's administrative procedures regarding MEPA (ARM 36.2 537) and the Montana Antiquities Act (MCA 22-3-424), in their most current form.

Environmental impacts associated with residential, commercial and industrial development in communities are cumulative. Developments on school Trust Lands would contribute to those cumulative impacts. However, these impacts would occur regardless of whether the development occurs on state lands or elsewhere in the community. In addition, unlike developments on private lands, real estate activities on trust lands are subject to review under MEPA and the Montana Antiquities Act. The REMB would strive to comply with MEPA and Montana Antiquities Act responsibilities under all five alternatives. However, the manner in which requirements are addressed does vary by alternative, reflecting the associated management approach. Refer to relevant discussions in Chapter 5.

2.9.2.1 Alternative A: Current Program

Under Alternative A, the REMB would continue to comply with MEPA requirements using the Act as the principal framework for environmental review. In addition, projects would be reviewed with respect to their impact on historic and cultural resources. In general, categorical exclusions or exemptions would not be sought as DNRC has limited staffing and budgets in most cases to initiate a project that would result in a subdivision. The lessee would be responsible for compliance with all applicable regulations. In addition, the Bureau would work to coordinate public involvement requirements under MEPA with local public processes. However, the MEPA analysis, in large measure, would be undertaken at a Bureau rather than community level.

2.9.2.2 Alternatives B: Diversified Portfolio and B-1: Diversified Portfolio – Conservation Priority

Under Alternatives B and B-1 the REMB would meet the Department's responsibilities under MEPA through its adherence to local land use regulation wherever possible. Where appropriate, the REMB would utilize categorical exclusions from MEPA documentation in cases where local land use regulations and procedural requirements surpass MEPA's analysis requirements. Any requirements not met through local land use policy and regulatory processes would be fulfilled directly through MEPA

compliance. For example, site-specific socio-economic studies and cultural impact assessments required under the Montana Antiquities Act, would be undertaken for every qualifying project, regardless of whether the assessments are required locally.

2.9.2.3 Alternatives C: Focused Portfolio and C-1: Focused Portfolio – Conservation Priority

Under Alternatives C and C-1 the Bureau would evaluate the Department's compliance responsibilities with respect to both MEPA (and the Antiquities Act) and local land use policy and regulation. Under this alternative, the Bureau would likely utilize categorical exclusions whenever it would reduce duplication of development review and enable the REMB to remain competitive by being able to take the greatest advantage of timely opportunities.

2.9.3 Objective 3 – Provide a more effective and efficient decision-making framework for real estate management that includes a strategic vision and philosophy for future management.

2.9.3.1 Alternative A: Current Program

Alternative A, the status quo, would continue a program that responds to opportunities as time, funding, and expertise permit. The ability to respond to opportunities in a timely manner would be severely limited. Further, given the limits of interaction with local governments due to limited staff and level of project development under this alternative, project outcomes may be less certain than under the action alternatives. Also, under Alternative A, it would be difficult to predict a revenue stream over time. The ability to generate revenue for the trust would be dependent on available resources and often would be driven by outside interest rather than Departmental priorities.

2.9.3.2 Alternatives B: Diversified Portfolio and B-1: Diversified Portfolio – Conservation Priority

Under Alternatives B and B-1, the REMB would be directly involved with community planning efforts and therefore able to coordinate its project development and review processes with those of local planning and development authorities. This would help to streamline project approval processes as well as make project planning outcomes more predictable. This alternative would also enable the Bureau to be more active in defining and implementing priority real estate projects over a period of time, which in turn would allow for allocations of resources as needed to meet revenue objectives.

2.9.3.3 Alternatives C: Focused Portfolio and C-1: Focused Portfolio – Conservation Priority

Alternatives C and C-1 offer the most efficient decision making framework for real estate management. While the REMB would continue to work with local governments, it would evaluate its approach to project design and review processes with respect to a goal to develop real estate at a more rapid rate. The Bureau would also be able to expedite project development through collaborations and partnerships with other private and public interests to achieve its goals.

2.9.4 Objective 4 – Simplify the project level evaluation process.

The establishment of the funnel filter approach in identifying lands suitable for development would simplify the project evaluation process, to some extent, under all the

action alternatives. However, the funnel approach still emphasizes compliance with all applicable local, state, and federal laws, including adherence to local land use regulations. The funnel and project selection processes described earlier in this chapter provide a more structured and predictable methodology for guiding decisions of the REMB.

2.9.4.1 Alternative A: Current Program

Under the current program, the REMB would strive to improve its evaluation process, but would continue to use a course filter analysis in the near term. Ultimately, a funnel filter analysis would enable the Bureau to identify, at a gross level, the lands which would be suitable for development. However, since the management of real estate would be largely driven by inquiries and proposals from outside the Department, it is unlikely that more site specific analyses could be undertaken in advance of project proposals. Projects would be evaluated on a more "ad hoc" basis rather than being derived from a more formal decision-making process.

2.9.4.2 Alternatives B: Diversified Portfolio and B-1: Diversified Portfolio – Conservation Priority

Alternatives B and B-1would enable the REMB to undertake a more systematic approach to determining those lands that were suitable for development. It would allow the Bureau to focus on those lands that are identified as "transitional" and determine their potential for residential, commercial and industrial development. Under Alternatives B and B-1, the Department would work closely with local government regulatory processes to facilitate a more simplified project level review. Further, a number of local and state compliance related activities could be conducted simultaneously to save time and resources.

2.9.4.3 Alternatives C: Focused Portfolio and C-1: Focused Portfolio – Conservation Priority

Under Alternatives C and C-1 the REMB would actively make use of those strategies that simplified project level review in order to take advantage of timely opportunities in the market place. In addition to striving for simultaneous and expedited review procedures, the Bureau would be more proactive in seeking favorable land use entitlements for trust lands.

2.9.5 Objective 5 – Protect the long-term viability of Trust Land for uses other than agriculture, grazing and timber.

As trust managers, the Trust Land Management Division of DNRC is first and foremost an asset management organization. Whereas the division has historically managed for natural resource extraction, the data supports broadening those land-use activities to include uses that generate greater revenue per acre. Invariably, that means rearranging the asset portfolio from one that is overly reliant on grazing and acquiring or developing lands that have the potential for commercial, residential, and conservation opportunities. The vast majority of Trust Lands will continue to be managed for historical uses well into the future and only those lands that are positioned well for real estate opportunities will be reclassified to "other" and only as market conditions permit.

2.9.5.1 Alternative A – Current Program

This alternative does not anticipate full participation in market forces related to future growth and development of residential, commercial, and industrial uses. However,

internal processes are in-place (project selection process) to ensure proper identification and selection of properties suitable for these purposes. The majority of Trust Lands would remain suitable for natural resource management and some portion thereof would be available in the future for additional land use opportunities. No acreage restrictions are proposed for lands with conservation values.

2.9.5.2 Alternative B: Diversified Portfolio

This alternative anticipates that Trust Lands would receive a pro-rata share of future growth within a particular region of the state. The proportion of expected growth would remain insignificant (<1%) on Trust Lands through the year 2025. Internal and external project review processes would ensure that only those lands suitable for the intended purposes would be developed. The majority of Trust Lands would remain suitable for natural resource management and some portion thereof would be available in the future for additional land use opportunities.

2.9.5.3 Alternative B-1: Diversified Portfolio – Conservation Priority

The purchase of development rights on Trust Land for conservation purposes will typically include a provision that will enable the ongoing management of natural resources. The management of timber and agricultural resources are quite compatible with conservation objectives related to open space and habitat and watershed protection.

2.9.5.4 Alternative C: Focused Portfolio

This alternative anticipates that Trust Lands would receive a proportionally higher share (as compared to other land ownership categories) of future growth within a particular region of the state. The proportion of expected growth would remain insignificant (<1%) on Trust Lands through the year 2025. Internal and external project review processes would ensure that only those lands suitable for the intended purposes would be developed. The majority of Trust Lands would remain suitable for natural resource management and some portion thereof would be available in the future for additional land use opportunities.

2.9.5.5 Alternative C-1: Focused Portfolio – Conservation Priority

As noted under Alternative B-1, the purchase of residential development rights on Trust Land for conservation purposes will typically include a provision that will enable the ongoing management of natural resources. The management of timber and agricultural resources are quite compatible with conservation objectives related to open space and habitat and watershed protection.

2.9.6 Objective 6 – Provide an opportunity for public involvement in decisions affecting residential, commercial, industrial and conservation uses.

The Bureau would, in most cases, would address a substantial portion of its public involvement responsibilities normally expected under the Montana Environmental Policy Act (MEPA) through adherence to local land use policy and regulatory process under all five alternatives. Local growth polices (comprehensive plans) and their associated neighborhood plans require an extensive public involvement process under 76-1-602, MCA. The creation of a zoning district requires public involvement both in the initiation and approval processes. A local public hearing is also required for the review of a preliminary plat under the Montana Subdivision Act (76-3-605, MCA). Refer to related discussions in Chapter 5.

2.9.6.1 Alternative A: Current Program

While the REMB would comply with all land use regulatory process at the local level under Alternative A, efforts to involve the public more extensively would be minimal. Involvement in local land use policy decision making would be confined to particular regulatory approvals required at the project level.

2.9.6.2 Alternatives B: Diversified Portfolio and B-1: Diversified Portfolio – Conservation Priority

Alternatives B and B-1 would provide for the most extensive opportunities for public involvement in decisions affecting the management of special uses, through its ongoing involvement with local government planning activities and its adherence to local land use regulatory processes well as MEPA.

2.9.6.3 Alternative C: Focused Portfolio and C-1: Focused Portfolio – Conservation Priority

Under Alternatives C and C-1, public involvement would be similar to Alternatives B and B-1.

2.9.7 Objective 7 – Identify ways to work more closely with local government processes and policies

2.9.7.1 Alternative A: Current Program

Under Alternative A, the REMB would generally not be an active participant in the local government process. Any relationships to these processes would be largely project driven. Little effort would be spent in participating in comprehensive community planning processes or in the preparation of neighborhood plans. The Bureau would work to remain informed of local policy development and its potential impact on state lands. However, they would not, for the most part, actively engage in the formulation of policies and regulations related to land use.

2.9.7.2 Alternatives B: Diversified Portfolio and B-1: Diversified Portfolio – Conservation Priority

Under these alternatives, the REMB would work with local governing bodies to identify ways to promote real estate development within the framework of local policies and regulatory processes. From time to time, Bureau staff would participate in discussions at the local level regarding policy formulation and work to coordinate its planning processes with those of the local governments, particularly when such activities would enhance revenue opportunities. The Bureau would work with local officials in order to make sure the necessary entitlements were in place in order to realize the development potential of those lands identified through the filtration process as described in this chapter. However, in general, the REMB would make every attempt to follow existing policies and regulatory processes.

2.9.7.3 Alternatives C: Focused Portfolio and C-1: Focused Portfolio – Conservation Priority

Under these alternatives, the REMB would have an ongoing, active role in local government activities. Participation would focus on achieving the greatest flexibility in

land use authorization. REMB staff would actively participate in local government processes to develop, amend or apply growth plans, zoning designations, subdivision, annexation and development agreements or other policies or regulations where there is the possibility of increasing revenue for the trust beneficiaries. The Bureau would focus its neighborhood planning processes on maximizing revenue opportunities. The REMB would make every effort to follow local policies and regulatory processes, including those processes related to plan amendments, zone changes, and the like.

2.9.8 Summary Table of Predicted Attainment of Objectives

Table 2-18 depicts the degree to which each Alternative Meets Project Objectives

Table 2-18. Summary of Predicted Attainment of Objectives

Objective	A	B	B1	C	C1
Objective 1	+	++	+	+++	++
Objective 2	+	+	+	+	+
Objective 3	O	+	+	+	+
Objective 4	O	+	+	+	+
Objective 5	O	+	+	+	+
Objective 6	O	+	+	+	+
Objective 7	O	+	+	++	++

Note: "O" indicates a status quo relationship and + indicates a strong relationship

2.10 RELATIONSHIP OF ALTERNATIVES TO ISSUES RAISED IN THE SCOPING PROCESS

Based on comments received and on prior experience with the administration of the Real Estate Management Bureau, the DNRC staff identified the following issues for evaluation in this PEIS:

1. In order to meet its fiduciary responsibilities to the beneficiaries, the DNRC must increase revenue associated with the management of commercial, industrial, residential and conservation uses on Trust Lands.
2. The REMB is managing land uses in a reactive manner without the benefit of well-defined planning process or decision making framework.
3. The REMB currently lacks a methodology for determining the suitability of land for the development of the various uses under its jurisdiction.
4. A successful real estate program will rely on a close association with local land use planning and regulatory processes.
5. The relationship of the statutory requirements under MEPA to the selection and development of projects on Trust Lands is unclear.
6. There is a need to identify opportunities for Categorical Exclusions (CE's), as provided under MEPA, consistent with the purpose for development of a programmatic plan (ARM 36.2.522(5)
7. The REMB requires guidance in addressing the growth inducing impacts of development of commercial, residential and industrial uses on Trust Land
8. The REMB requires guidance in addressing the impacts of growth with respect to transportation, air quality, noise, and other environmental concerns.

9. The REMB requires guidance in addressing open space and wildlife habitat needs while providing income for trust beneficiaries.

Table 2-19 summarizes how these issues are reflected in the design of the alternatives presented in this chapter.

Table 2-19. Issues As Addressed by Alternatives

Issue #	Alternatives					Document Reference by Section	Supportive Statement
	A	B	B-1	C	C-1		
1	O	++	+	+++	++	2.3, 2.6.2, 2.6.3, 2.6.4, 2.6.5, 2.9.1, 3.2.3, 3.2.4, 3.2.5, 4.1.3, 4.2.3, 4.2.4	All action alternatives provide for increased revenue to the beneficiaries. Increased revenue is linked to market share of residential, commercial, and industrial uses.
2	O	+	+	+	+	2. 1, 2.3.1, 2.6.2, 2.6.3, 2.6.4, 2.6.5, 2.9.3, 2.9.4, 3.2.4, 3.2.6, 3.4.4, 4.1.1, 4.1.3, 4.2.2	The funnel filter analysis and project selection process provide a framework for decision-making for all action alternatives. All alternatives require compliance with local land use regulatory processes.
3	O	+	+	+	+	2. 1, 2.3.1, 2.6.2, 2.6.3, 2.6.4, 2.6.5, 2.9.3, 2.9.4, 3.2.4, 3.2.6, 3.4.4, 4.1.1, 4.1.3, 4.2.2	The funnel filter process includes a landscape assessment of general land suitability and a demographic and market analysis to link growth objectives to regional market conditions. Other layers of the filter process are project level evaluations that help to further narrow land use options.
4	O	+	+	++	++	2.3.1, 2.6 (all subsections), 3.2.4, 3.2.6, 4.1, 4.1.3, 4.2.5, 4.2.6, 4.2.7, 4.2.7, 4.2.10, 4.2.12, 4.2.13, 4.2.15, 4.3, 5.2, 5.3	An underlying premise of all alternatives, including the current program is that the REMB would work with local government land planning and regulatory processes.
5	O	+	+	+	+	2.3.1, 2.6 (all subsections), 3.2.4, 3.2.6, 3.4.4, 4.1.1, 4.1.3, 4.2.2, 5.2, 5.3, 5.3	Under all the action alternatives, potential and proposed projects will be subject to a well-defined funnel filtration process that will address a variety of site suitability issues. Through local land use regulatory processes, the REMB will meet a substantial portion of its responsibility under MEPA.
6	O	+	+	++	++	2.3.1, 2.6 (all subsections), 3.2.4, 3.2.6, 4.1, 4.1.3, 4.2.5, 4.2.6, 4.2.7, 4.2.7, 4.2.10, 4.2.12, 4.2.13, 4.2.15, 4.3, 5.1	Compliance with local land use regulatory processes will, in certain cases, address all of the Department's responsibilities under MEPA and support rationale for certain categorical exclusions.
7	O	++	++	++	++	2.3.1, 2.6 (all subsections), 2.9.3,	An underlying assumption is that Trust Lands will share in expected community growth. The

Table 2-19. Issues As Addressed by Alternatives							
Issue #	**Alternatives**					**Document Reference by Section**	**Supportive Statement**
	A	**B**	**B-1**	**C**	**C-1**		
						2.9.4, 3.2.4, 3.2.6, 3.4.4, 4.1.1, 4.1.3, 4.2.2, 5.2, 5.3	funnel filter analysis provides a framework for decision-making for all action alternatives regarding growth inducing impacts, such as sprawl.
8	O	+	+	+	+	2.3.1, 2.6 (all subsections), 2.9.3, 2.9.4, 3.2.4, 3.2.6, 3.4.4, 4.1.1, 4.1.3, 4.2.2, 5.2, 5.3	The funnel filter analysis provides a framework for decision-making for all action alternatives with respect to overall environmental concerns.
9	O	+	+	+	+	2.3.1, 2.6 (all subsections), 2.9.3, 2.9.4, 3.2.4, 3.2.6, 3.4.4, 4.1.1, 4.1.3, 4.2.2, 5.2, 5.3	The funnel filter analysis provides a framework for decision-making for all action alternatives with respect to wildlife and habitat protection. Coordination between the HCP and the SFLMP is also anticipated.

Note: "O" indicates a status quo relationship and + indicates a stronger relationship.

2.11 IDENTIFICATION OF THE PREFERRED ALTERNATIVE

No preferred alternative is identified by this DEIS.